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JPRS-EER-90-122 CONTENTS *27 AUGUST 1990*

CZECHOSLOVAKIA

Democratic Forum Comments on Situation in CPCZ

90CH0340A Prague RUDE PRAVO in Czech 16 Jul 90 p 3

[Unsigned article: "The DFK [Democratic Forum of Communists] on the Situation in the CPCZ [Czechoslovak Communist Party]"]

[Text] Representatives of the Democratic Forum of Communists [DFK] transmitted the position of their leadership on the situation in the CPCZ [Czechoslovak Communist Party] to the editors of RP [RUDE PRAVO]. In it they state, among other things, the following:

We were the first movement expressing an opinion but we did not want to be the only one and we therefore called for the creation of other movements. This was successful and today, in addition to the DFK, there are others like the Independent Club of Communists, the Marxist-Leninist Club, the Democratic Platform, and a number of clubs based on the professions. We welcome this development since only thus is it possible to create the necessary space for including a plurality of viewpoint as the basis for the new, nondictated unity of the future modern leftist part.

A plurality of opinions makes sense, however, only if it makes it possible to have encounters of ideas and opinions in resolving specific problems or positions with the goal of achieving the most suitable solution acceptable to all participants or at least the most acceptable compromise. It thus involves a process within the party. A matter for discussion is the proposal by DP [Democratic Platform] for the creation of a free confederation of independent viewpoint groups, each with their own title and their own organizational structure, even including the replacement of the executive committee of the Central Committee.

The party's task and goal is to be the basis for forming a sufficiently strong left-wing group capable of effectively defending the justifiable demands of the working people and we can achieve that mainly by not allowing the breakup of today's unified leftist party into discussion groups. We see another danger in such a development, which is that the party leadership would be cut off and consequently isolated from the membership base. This looks too much like the well-known "divide and conquer."

We do not reject consideration of the question of preserving or changing the name of the party. We must be aware of the fact that even if the name is changed we will still be known as the former Communists. We recognize on the other hand that a change in the name now, that is, after the elections in which we ran under the "company name" burdened with the negative connotations of the past, could not be called a tactical changing of one's colors. We support setting up a partywide referendum on this important questions, but we request that this referendum be connected with educational work, that is, the arguments for and against as worked out by historians, political scientists, and psychologists. Only a referendum conceived in this manner can really make sense.

It bothers us that the party leadership has not reacted to our proposal which does not concur in joining the functions of party secretary with those of a representative. The importance and seriousness of performing each of these jobs exclude one person having both of them. Today we are in a situation where all the top party representatives are tied up with work in the parliaments and party management is left to the employees in the aparat. We are of the opinion that as a maximum there should be in the parliaments only the chairmen of the CPCZ, the CPCM [expansion unknown], and the CPS [expansion unknown] as equal partners for discussions with representatives of the government and other political parties and movements. Our representatives are capable of handling the other tasks if they moreover have the necessary backup from an operational political service of the party and specialized teams put together of lawyers, economists, etc. Such a service will be capable not only of giving advice, but also, and we consider this currently the most important thing, of submitting alternative proposals on the laws under discussion and the proposed decisions. The party secretary is just the one who should direct these activities. This political service should be able to assist effectively, besides the secretaries who can be reached, the individual okres party committees as well in their search for solutions to the problems which life places before them.

There is one other question which deserves clarification and that is the question of the role of RUDE PRAVO. Today more than at any other time there is a need to inform the public on a daily basis about specific activities and the party's positions on the events of the day. In the articles and opinions published in RP, we are missing the positions of some of the top party officials. We consider it vitally important to publish the positions of the Communist representatives on the laws under discussion and especially publication of alternative proposals on decisions. This is necessary to keep not only the party members, but especially the broader public, informed. We see the irreplaceable role of RP in current political affairs and social development in such a process.

Slovak National Party Presents Draft of New Language Law

90CH0328A Prague LIDOVE NOVINY in Czech 23 Jul 90 p 4

[Article by Jan Rychlik: "Draft of New Language Law in Slovakia"]

[Text] On 5 July 1990 the weekly SLOVENSKY NAROD, an official publication of the Slovak National

Party (SNS), published a draft of the language law for Slovakia, which that party had already submitted for discussion on 26 June. Of course, this is an extremely sensitive issue and so it is no surprise that the deputies of the SNR [Slovak National Council] preferred to table the draft until after the parliamentary recess. In his interview with NARODNA OBRODA of 27 June the SNR chairman Frantisek Miklosko commented on the draft with restrain, for which he was immediately attacked by Jan Gallus in the above- mentioned issue of SLOVENSKY NAROD.

The proposed draft introduces the Slovak language as the exclusive language in Slovakia on every level of the state administration, in contacts with foreign countries, and in economic contacts unless explicitly specified otherwise; an agreement to be concluded by the Czech and the Slovak National Councils should spell out mutual use of the Czech and Slovak languages. Moreover, the Slovak language is supposed to be the language of community chronicles (because no language is mentioned in the heretofore applicable law No 80/120 of the Collection of Laws), of political parties and public associations and organizations. In some points the draft is not sufficiently clear and needs to be further specified, but in its current version it would mean that, for instance, a community council in a purely Hungarian locality would have to transact exclusively in the Slovak language all official business both in its internal dealings and in contacts with the public. Thus, it would actually mean that the new law will recognize fewer rights of minorities than Article No. XLIV/1868 of the infamous Magyar law on language, which used to be disregarded in practice and which made it possible, at least on paper, to use the language of a minority in communal and provincial self-administration under certain circumstances.

On the whole, the Slovak public accepted the draft of the law with understanding, because the situation in some communities in south Slovakia has become truly intolerable, as local Slovak residents cannot deal with community officials in any other language but in Hungarian. On the other hand, one cannot ignore the fact that, particularly as concerns parties and associations, the draft has gone too far—at any rate, much further than protection of the rights of the Slovak population would require.

Although the amendment on language rights is Slovakia's internal affair, this case does have its nationwide political and legal ramifications because the proposed draft contradicts the statutory nationalities law No. 144/1968 of the Collection of Laws which is valid for the entire state and furthermore, which can be amended only by the Federal Assembly; in addition, the oath of the office obligates the president of our Republic to protect the interests of our nations and nationalities, which hardly jibes with the proposed language law. Even now it is obvious that our national minorities cannot approve this draft and that there is not a single Hungarian or Ukrainian deputy who would vote for it. Because in the SNR the VPN [Public Against Violence] movement has the support of the Hungarian Independent Initiative, one of whose members serves as VPN's vice chairman, the VPN finds itself in a precarious position. If it rejects the draft, the Slovak National Party will accuse it of a betrayal of national interests; if it supports the draft, then in all probability the deputies of the Hungarian Independent Initiative will cross over to the "Spoluzitie" [Coexistence] opposition bloc of national minorities. Moreover, this matter has some international implications as well: After WWI Czechoslovakia signed the treaty of Saint Germain-en-Lai pledging to guarantee certain international rights of her minorities. Although the treaty does not explicitly mention the issue of the official language, Budapest is offered a splendid pretext for its launching of a revisionist propaganda.

Expatriation Feared if Federation Collapses

90CH0344A Prague FORUM in Czech 14 Jul 90 p 4

[Article by Jan Rychlik: "Czechs in Slovakia—Slovaks in Bohemia"]

[Text] Demonstrations by the nationalists in Slovakia, Ludvik Vaculik's article "Our Slovak Problem" proposing that the Czech-Slovak relation be resolved by establishing two national states, and last but not least, the unexpectedly high number of votes in favor of the Slovak National Party have set off a panic among mixed Czech-Slovak marriages, among Slovak and Czech citizens of Czechoslovak sentiments, and also among the Slovaks in Bohemia and Moravia and the Czechs in Slovakia. According to Statistical Annals for 1989, their numbers are not negligible: In 1987 (no later data are available) 62,000 Czechs resided in Slovakia and 412,000 Slovaks lived in the Czech Republic (great many Slovaks are settled particularly in Czech borderlands following the postwar homesteading). In brief, many people recognized the specter of 1939 and those who at that time experienced the expatriation trembled with fear: What will happen with us?

In 1939 the problem was resolved in accordance with the right of domicile; thus, the Czechs who had already obtained the right of domicile in Slovakia became Slovak citizens and the same yardstick was applied to Slovaks in the Protectorate. However, in the autumn of 1939 Slovak authorities tightened up the criteria for the grant of citizenship so that only persons whose right of domicile in Slovakia continued uninterrupted since 30 October 1918 (law No 255/1939 of Slovak Code of Laws) were recognized as Slovak citizens; pursuant to governmental decree No. 254/1939 of the Slovak Code, the status of all Czech civil servants was changed to temporary assignment. Naturally, most Czechs in Slovakia and Slovaks in the Protectorate did not have the right of domicile there and thus, they became overnight aliens in their own country. In other words, they had to obtain a passport and a residence permit; they could work only if the authorities issued their employers special permit; everybody was haunted by the threat of expatriation.

In the first months, both the Slovak and the Protectorate authorities really began with mass expatriation of the Czechs, or as the case may be, of the Slovaks; it is not widely known that deportations were stopped upon the intervention of German authorities which were not interested in having the Czechs and Slovaks traipsing over the borders (for that reason, on 15 March 1939 the Moravian-Slovak border was immediately closed for regular tourist traffic). They were of the opinion that everybody should stay put wherever he may be and work there for the victory of the Reich. This brings to mind one of the leading politicians of the normalization period who commented upon the closing of our borders in 1969: "Borders are not for promenading."

Nevertheless, great many people continued to migrate: In December of 1938, there were 77,488 Czechs in Slovakia, but only 31,451 lived there in 1943. The number of the Slovaks in the Protectorate was estimated at more than 30,000, and the number of expellees at about 5,000 (according to the estimates of the Slovak consulate in Prague). It would be a mistake to think that the Protectorate authorities were more lenient than their Slovak counterparts; the only difference was that alien registration was removed from them already in 1939, while in Slovakia German authorities did not enforce a ban on expatriation until 1940. As a matter fact, it is not without interest that while in the days of the Slovak National Uprising Slovak patriots were fighting, on 20 September 1944 the so called "young populists" submitted to Tiso a special petition requesting, among other things, a "radical solution of the Czech and Jewish problem," in other words, the expulsion of all Czechs to the Protectorate and of the Jews to gas chambers. Among its signatories we can find also the name of Stefan Polakovic, the author of the book "Slovak National Socialism," who recently visited Slovakia in order to enlighten his compatriots about correct state-building methods.

Thus, quite a few people are afraid that our state may be broken up; one cannot be blame them. I admit that I am one of them because my wife is a Slovak and neither she nor I would like to become foreigners in our own country. Therefore, we ask: Will we succeed in holding our common state together? And, if not, can we prevent the expulsion of people and a repetition of the human tragedies of the tragic year of 1939?

Czech Radio Delays Discharge of Former Regime's Adherents

90CH0328B Prague LIDOVE NOVINY in Czech 21 Jul 90 p 1

[Editorial by Jiri Hanak: "Broadcast"]

[Text] The colonels of normalization used the thickest possible comb to curry our journalists' community after 1969. To curry the radio, they used a comb that was twice as thick. Then they reinforced the cadres of the networks with their own collaborators, their family members, friends, and young people with no past but with a bright financial future.

Last November we chanted: "We are not like them." Now it is July and I must amend the above slogan: "But we must not be idiots!" Everything proves that we in fact are idiots.

So far about 350 employees of our radio networks have left or have been fired. That is only a tiny part of people who for twenty years had systematically lied to us, insulted us with their primitive propaganda, and defrauded us in the name of the holy Kcs. Most of them are staying put.

We are not like them. We are dumb. Let us ask ourselves a question of principle: Is it true—or is not true?—that radio holds an extraordinary important position of power? Let us not pussyfoot around the answer. The argument will not hold water that the times are gone when such allegations could be made about our radio; that the situation in this era of independent press is different, and so on. Radio holds a position of power and therefore, we must act accordingly. We should make it possible for our people in the networks to act accordingly. Thus far they could not do so. Premiers and deputy premiers are coming and going, but one thing does not change: The law on broadcast enacted in 1964! Director Pavlicek does not have anything else in his hands. He is hamstrung and left with his people to be ridiculed by the perfectly functioning Mafia. The result: [Former Federal Assembly Chairman Alois] Indra's director Dr. Kvapil has been receiving his full official salary for months, and so do others like him and many former officials. The laws and regulations still in force prevent us from getting rid of them. Those individuals are receiving payments so enormous that the new management cannot hire any new employees. It simply has no money to pay them....

The November festivity which God only knows why we call our revolution has not even started and it is already coming to an end—at least for the "venerable community" in the networks. Those people have already made new connections and gained new protectors, and they are bulletproof. That is the situation in the Prague radio station, just a stone's throw away from the Castle and from the headquarters of the Civic Forum. What can it be like in the provinces? Was there in fact a revolution? Was there one or was there none?

Argument in Defense of Tiso Rejected

90CH0345A Prague FORUM in Czech 31 Jul 90 p 2

[Article by Zdenek Janik: "Using Beelzebub To Cast Out the Devil"]

[Text] Several years ago I read in an interesting essay that German communists and the embryonic Nazi party had not been initially as antagonistic as they later appeared before the world. Included were references to their jointly held preelection assemblies and their joint

action against the social democrats and certain popular parties. Such revelations terrified Otto Grotewohl who tried to silence them. Thus, the Nazis and the communists used similar demagoguery in their social approaches and similar methods in enforcing them. It was only later that complex developments put an end to such a courtship. Since then they resembled a pendulum. Every extreme deviation to the right was followed by an extreme deviation to the left, and vice versa. From this viewpoint it is not so hard to understand as it may seem at the first glance that extreme right-wing and left-wing dictatorships could take turns particularly in countries where democracy had not been domiciled sufficiently long. The specters of anti-Comintern and of the antifascist front have a common denominator, namely, antidemocratism.

I remembered this in conjunction with the unveiling of the plague in memory of Dr. Jozef Tiso in Banovce on the Bebrava River. As we can see, even in our country we cannot avoid the pendulum effect. It appeared earlier than many people would expect, or rather, sooner than we were willing to admit to ourselves. For that reason, things should be called by their rightful names but in our country there is a catch to it. The Slovak right wing had always used—and still uses—a Christian, or more precisely, a Catholic cloak. However, how does it jibe with Christianity if the man so exalted (possibly even raised upon the altar) appears on the list of war criminals and is responsible for the deportation and death of innocent and helpless victims? He is a man who betrayed his office as well as Christian charity by supporting an inhuman totalitarian system. And here I do not mention his part in the destruction of our democratic republic because in that case he was at least more sincere than many of those who are now standing behind him and trying in one breath to proclaim the brotherhood of both our nations in our common state and to enter Europe alone.

I am not opposed to an objective and historically true assessment of the ideology of the Slovak State. The sooner it is done, the better. I refuse to use the term 'clerofascism,' which was introduced by the communists, because the whole church had never embraced it and besides, even here Hlinka's legacy and the names of persons with Nazi proclivities, such as Vojtech Tuka, were misused. Nevertheless, none of that can justify Tiso because he elevated the Nurnberg laws above the Gospel. Nor can he be absolved by the frequently heard argument that in those days the church was struggling with godless Marxism. In fact, Naziism was just as godless and antihuman, and nothing can change that fact, not even the church's previous political alliances with certain right-wing totalitarian regimes, such as those in Spain, Italy, Croatia or Degrelle's monarchists in Belgium. After all, one cannot use Beelzebub to cast out the devil without paying the hell its dues. The uniforms of the [Hlinka] Guard retrieved from mothballs perhaps in Toronto or Melbourne, or the Ustasha decorations will forever remain a symbol of the martyrdom suffered by tens of thousands of helpless victims, even if the owners of those uniforms and decorations had fought against another, just as cruel and merciless totalitarian system—against communism. Analogically, the badge of the State Security Corps will be another such symbol, regardless of the boasts that the State Security had fought against fascism. There is only one democracy and none of those on the right or on the left who fight against it can ever become its friends. True Christians should not—and must not—forget this fact now or in the future.

New Culture Minister on His Ideas About Support to Arts

90CH0341A Prague MLADA FRONTA in Czech 20 Jul 90 4

[Interview with Milan Uhde by Pavla Mateiu and Petr Volf; place and date not given: "I Am Probing for the Sore Spots"—first paragraph is MLADA FRONTA introduction]

[Text] The poet, prose writer, and playwright Milan Uhde (born 1936) for the past 20 years has been one of those authors who was unable to be published openly because of the Communist regime. His life is joined with his birthplace, Brno, where he also worked until 1970 as an editor of the well-known magazine A GUEST IN THE HOME. He wrote commentary and collaborated on the screenplays of the films "The Constellation Virgo," "Checkmate," and "Your Highness" and his plays were broadcast on the radio, mainly in the 1960's ("Comedy with Lot," "Witnesses," and "The Collector or the Gang"). After years of an involuntary break, some theaters in Prague have now included Uhde's plays in their repertory (in the Reduta they are presenting "A Very Quiet Ave" and in the House of Culture of the Transportation Enterprises the Jelo studio is playing "The Collector"). Recently he was named minister of culture for the CR [Czech Republic].

[MLADA FRONTA] What ideas did you take with you to the ministry?

[Uhde] I have certain experiences which I did not acquire entirely of my own free will. These are the experiences of an author who was banned for 20 years and it seems to me that I should be able to apply them in resolving some institutional problems in Czech culture. Everywhere there is talk about the danger of commercialization. Perhaps only a person who has had a certain experience with it can judge this danger. I am also convinced that commercialization is not just now beginning to threaten Czech culture, but it has been going on for 42 years now, only it was not called that.

[MLADA FRONTA] Could you be more specific?

[Uhde] It was a method whereby a quasi-culture was spread among the public with the support of the state institutions, a dehumanized propagandistic art. It has as its goal a strengthening of the totalitarian system. I am convinced that all the dangers which threaten our culture

in the form of the invasion of a market economy are indeed serious, but they cannot be as mortal as the dangers through which we have passed.

[MLADA FRONTA] Still on commerce, as seen through today's realities, must art which is commercial necessarily be bad?

[Uhde] I definitely know art which can readily stand the effects of the market system. It is no disgrace when it sells at a good price and gives its creator an adequate compensation. It is necessary to pay well for good services to the public. This is in the field of the so-called applied arts. And then there is art which discovers sources and creates acts of a deeply innovative range and this as a rule does not make any money. Its creators are so immersed in their discoveries that they cannot even be bothered to put a price tag on it. It is the task of the art critics to sort out such creative actions, but understandably that of the ministry as well. Such art must be supported and protected against the hard knocks of the so-called market.

[MLADA FRONTA] What do you think about subsidies for culture?

[Uhde] Culture must be subsidized. However, I do not see its support as being in the formation of special laws which would make some kind of special caste out of the artists and treat them differently than the rest of the citizens. I am for a system of supplemental subsidies which must do a better job of sorting out to whom they should really go. I have the idea that the support should belong to the people who show initiative and have already done something positive; definitely rather to them than to people who only have brave intentions. Everybody has them.

[MLADA FRONTA] There is quite a bit of talk about a system of so-called cultural funds, but these should not be the sole source!

[Uhde] Certainly not, it is a question of tax write-offs which are simply routine in the democratic world. There is a story going round that the Ministry of Finance did not what to hear of such a thing. I would not like to spread such rumors. I have not yet spoken with Mr. Klaus about this, but I feel that a solution will be found.

[MLADA FRONTA] What do you say to the views on doing away with the Ministry of Culture?

[Uhde] I published such views 20 years ago. At that time, I held the view that a Ministry of Culture is something like a ministry for the rising and setting of the sun, that it attempts to manage something which is simply not dependent on the will of the agencies. I still hold this view of mine right up until today despite the fact that I took on the job. I do not want the ministry to manage something and to give orders to someone. It has available certain institutions and now it is a matter of finding a method by which culture can best be disseminated. If it succeeds, then the ministry also has a purpose as an auxiliary agency of culture.

[MLADA FRONTA] And if it does not succeed?

[Uhde] I will be the first one to call for getting rid of it. I do not have a relationship to the MK [ministry of culture] like that of a farmer to his land. If the experiment does not work out, then at least we know that it is necessary to go in a different direction. Meanwhile we are continuing with the reorganization which was already begun under the previous minister; I will not describe it in any detail. The public should judge its effectiveness on the basis of the results achieved. In our considerations of a new structure, we looked to the experiences of the SRN [Federal Republic of Germany] whose Federal Ministry of Culture has long since established the right to its existence.

[MLADA FRONTA] In changing the employees there, will the ministry again reach into the ranks of the artists?

[Uhde] I would like to hear the voice of the artists not as subordinates at the ministry, but in the studios and workshops because artists are creative people and can best tell us what is lacking for them in their work. It is not always necessary to put them right in the office. With some exaggeration I would even say that with me personally at the ministry of culture, there are enough of those artists. It is too bad that a great many of these good and well-qualified people and capable organizers consider work at the ministry to be a disgrace. We need to get them on our side; a cynical bureaucrat means death within the framework of any kind of institution.

[MLADA FRONTA] Films were always outside the jurisdiction of the ministry; will this status quo be preserved?

[Uhde] That depends on what the creative artists at Barrandov themselves want. There are also the same considerations about the future of, for example, the galleries; some employees of the galleries do not want to come under the MK and would rather be set up at the regional level, while others feel the opposite.

[MLADA FRONTA] The last ministry did away with the awarding of titles which had been abused. However, we have heard that arrangements are being made for some kind of state prizes...

[Uhde] I received a proposal from the government leadership as to how this would work. I put my comments on it in which I raise my doubts about the institution of state prizes in general, but I will still consult with the artists; perhaps they want them. However, for now I am convinced that if the state is giving up intervention of its opinions in all arts, the establishment of state prizes is not in keeping with this. By means of these prizes the state would point out this or that artist and say, "This is my favorite son who has pleased me." If it is, for instance, an abstract creative artist, it could

make his colleagues who are realistic artists feel that the state does not want any realistic artists. It is a different matter in the fields of science, technology, etc. where the usefulness can be determined far better from the standpoint of the state. I think that in the sphere of culture and the arts there should be prizes awarded which bear the names of the great creative artists of the past. For instance, the Gutfreund prize in sculpture, the Kubist in painting... They could be subsidized by the most varied institutions and they would be artistically the most authoritative evaluation. But it should not be a state prize.

[MLADA FRONTA] In conclusion, the most important task?

[Uhde] Besides the reorganization of the ministry, which should become a flexible agency with quick feelers, over the summer I have to feel out all the sore spots in our culture. The next time we have a conversation, I might be able to talk about the specific results of the reform.

HUNGARY

Foreign, Culture, Industry Ministries' Staff Situations Reported

90CH0232B Budapest MAGYAR NEMZET in Hungarian 14 May 90 p 7

[Article by k. b. p., et al: "The Apparatus Promises Loyalty; Quiet 'Takeoff' for the Ministries"]

[Excerpts] "Who is staying; who is leaving?" In recent months this has been the favorite question in administration circles. There have been exaggerated, and at times true gossiping about ministries becoming empty or council offices falling victim to panic; articles have been written about dozens of experts leaving this or that national agency, heading toward this or that private enterprise and economic endeavor. Many individuals thought it better if they left on their own, rather than wait to be fired by their new bosses. Our associates investigated how much of these stories are true, which direction some of the ministries' officials will take, and who will head which ministry now that it has been made public (after the National Assembly made its decision.)

Ministry of Foreign Affairs: Ambassadors Leave, Diplomats Stay

When I asked my acquaintance in the know if he could tell me how people at his Ministry are preparing for the changing of the guard, he sidestepped the question by saying that he was only there in spirit: He was preparing to leave for an assignment abroad, but his destination has not yet been decided. I began to suspect that the posts have been "distributed" by those who did not want to remain in the offices at Bem Ramparts, but my fears were allayed by Bela Laszio, vice president of the Independent Union of Employees at the Ministry of Foreign Affairs.

As he told me, there is a sense of uncertainty about the future in their office, too; but it was reassuring to hear him repeat that there will be a continuing need for expertise. And it was the new trade union that sat down with the major parties to decide what kind of changes will have to be made. Representatives of the MDF [Hungarian Democratic Forum] have stated at that time that structural changes will be inevitable; after all they will be demanded by the building of new international contacts.

Gyula Horn's appointment to head the parliamentary committee overseeing foreign affairs was among the facts reflecting a similarity between Hungary's foreign policy course during the past year and a half and the new government's concepts. As a consequence, employees at the Ministry trust that future posts will be allocated not in accordance with party interests but based on considerations of party policies. This also means that individual assignments should not be made on the bases of existential circumstances, but of professional knowledge and suitability. Accordingly, the Ministry of Foreign Affairs would like to continue to use the application system already in practice, but in a perfected manner.

When it comes to suitability, it is best determined by people in the profession; thus the new leadership will be assisted in the selection process by the independent trade union. Of the approximately 1,200 employees at the Ministry, the transformation will be primarily relevant to those whose posts will be discontinued under the new structure. A change of ambassadors has not been declared compulsory, but there are those who no longer wish to serve in such capacity. Thus far, three such names have been announced, those of Erno Lakatos, Mihaly Kornidesz and Janos Hajdu, as returning ambassadors. Supposedly, Peter Varkonyi has also applied for retirement for health reasons.

When it comes to the ambassadors, however, there are also natural factors at work: Many of them have reached retirement age, and in the case of others their accreditation will have expired. Several employees at the Ministry of Foreign Affairs have taken advantage of the early retirement provision, while others have left because they felt that under the new circumstances they could not get ahead as fast as they might wish. Thus, they put their foreign language expertise and their international experience to use in the service of newly formed multinational firms.

On the other hand, at this Ministry it is very important that the various departments receive newcomers (who, hopefully, will not be appointed on the basis of kinship and friendship ties) in such a manner that the latter quickly become acquainted with their area of responsibility, find their way around the files of "secret diplomacy," as well as in current affairs; after all, this is in the national interest, which is above party considerations. As they told us, the employees at the Ministry of Foreign Affairs are ready to help; all they want is to be trusted and asked. As Bela Laszlo said, there are rumors that the

real experts have fled. This is far from the truth. There are numerous well-trained and experienced diplomats willing to contribute to the continuity.

Ministry of Cultural Affairs: Where Is the Power Here, or the Money?

"True, the situation will change within days at the Szalai Street offices, but one thing is constant: for the time being every official of this Ministry is at his or her post, doing their duty," replied Karoly Manherz, deputy minister of cultural affairs at our inquiry. "We have not experienced a mass exodus during the recent months; the migration of labor was entirely normal, similar to that of earlier times."

[MAGYAR NEMZET] To what do you attribute the fact that no existential panic was experienced at hearing the news of governmental changes?

[Manherz] If I wanted to be funny, I would say that this Ministry has gotten used to changes; after all, we have seen five ministers come and go in the past ten years. Today's situation, of course, is quite different. This time the changes involve much more. But consider, if you will, that the decisive majority of employees at the Ministry of Cultural Affairs are experts wholly devoted to their work. As for the recently started rumors that there are serious efforts being made at certain ministries to transfer funds and power bases, I find it completely unbelievable. In our case, such actions are out of the question, because where is the power around here, and where is the money? Our sense of responsibility toward Hungarian culture is strong enough that we want nothing more than to be helpful to the new leadership. On my part, I am participating in the task of turning over the offices, and I will help the new minister in order to avoid any hitch.

[MAGYAR NEMZET] What steps have you taken in order to smooth the transition?

[Manherz] Our departments have prepared reports on current affairs, from bills being prepared to issues that require swift decisions. We have already turned over certain documents; primarily those that the MDF requested from us. Right now the emphasis is on continuity, because there are many cases which must be decided within weeks. We have initiated a great many new programs in the past year, and some of these have just now reached the point of implementation. As a result of numerous international agreements, concrete factors are appearing in the sphere of postsecondary education that could bring about positive changes in such fields as the teaching of foreign languages. Massive tasks await everyone.

[MAGYAR NEMZET] How is the Ministry's financial situation?

[Manherz] We have complete control over the amounts allocated us in the national budget. Contrary to rumors, we have transferred no state money to any of our foundations. In my opinion, we are turning over an operable Ministry.... [passage omitted]

Ministry of Industry: Well-Defined Tasks Expected

In 1985 there was one employee at the Ministry of Industry dealing with environmental management: today there are fifteen, and tomorrow, who knows how many? Dr. Arpad Bakonyi, who is in charge of that department, fervently believes that there will be a continuing need for experts in administering national affairs. As the governmental commissioner of the waste disposal plant at Dorog, he rejected a sumptuous employment offer. "I said 'no,' because it would have been unethical to quit in the midst of this task and leave the related government program incompleted." His associates asked him if he had a new job. After he answered in the negative, they also decided not to look for new posts.

Arpad Bakonyi is confident that the former dictatorship exercised by the National Planning Office and the Ministry of Finances cannot be revived. What is more, he expects the new government to precisely define all tasks, responsibilities and resources. To be sure, there was some alarm "in the house" when the newly appointed minister, Peter Akos Bod, stated on television that there is no need for engineers at the Ministry. However, the minister's words have been clarified since, and [Bakonyi] feels that they apply to higher functionaries instead of to experts in the specialized departments.

We also tried to find out whether Deputy Minister Peter Reiniger is packing his bags. He told us right away that he considers it unthinkable to "just drop" his involvement with national administration. In consultation with the new minister, it is Reiniger who manages the coming visit by the Danish minister of industry. His involvement in developing a technological program for Hungarian industries "cannot be discontinued," and when it comes to the upcoming negotiations with representatives of the World Bank and international financial institutions, the deputy minister must be fully empowered. "Admittedly, I feel a certain tenseness," adds Reiniger. The future government's first pronouncements did not convince him that programs of economic or industrial policy were already developed, because in listing the breakdown of portfolios and specialized departments there was no talk of professional content. On these bases, he does not consider it a fortunate decision that industry (which is supposed to provide for Hungary the key to global economic life) has been combined with domestic commerce, while international economic ties have been assigned to another portfolio."The government in which I have served as deputy minister has not been able to make decisions in many areas during the recent past," said Peter Reiniger, "The future government will also need some time, and the combined period of incapacity might be too much; even though some long-awaited positive changes have been initiated in our industries during the past six months. Several of our large enterprises have been able to attract operating capital from

abroad. It would be regrettable if, because of internal uncertainties, this process would come to a halt."

Journalists Debate Role of Press, Party Affiliation

90CH0232A Budapest MAGYAR NEMZET in Hungarian 14 May 90 p 3

[Article by A. B. B.: "Whose Side Should the Press Take? A Debate Concerning Publicity"]

[Text] According to all indications, it would like to remain independent; at least that is what was revealed at the meeting of the National Association of Hungarian Newspapermen [MUOSZ], the Publicity Club and the chambers of national media which was held last Saturday. True, Istvan Csurka asserted that the broadcasting time of radio and television, as well as the exercise of authority in the editorial offices of the printed media should be determined according to the results of the elections. However, his view was met with unified opposition by those present.

"It is common knowledge that freedom of the press is not only one of the greatest democratic values, but at the same time it is also an indispensable corollary of exercising power," Mihaly Galik, an associate of Hungarian Radio said in his opening remarks. "Publications cease, they become transformed and new ones are established, so that there is nothing definite we can say about all this," replied Csurka, managing editor of MAGYAR FORUM. In his view of freedom of the press, the right of supervision over the various media belongs primarily to the party that won the election, that is, the Hungarian Democratic Forum [MDF]. The transformation, which is nearly without equal in history, cannot be completed without the support of the press.

Ivan Peto, the spokesman of the SZDSZ [Alliance of Free Democrats], simply did not understand Csurka's remarks. "Should authority over the press be distributed according to the results in the first or second round of elections?" In his view, the government lacks the ability to interfere with the operation of various organs; politics can make its presence felt in the press only through the opinions of media owners and journalists. According to Peto, the supervision of national media should be performed by an independent and nonpartisan parliamentary committee, one that cannot interfere with the editing of programs, only voice its comments afterwards and guide the principles of operation.

"There is an instinct that sees established authority as final, even though it is very likely that rotations will take place in political life," said the newspaperman Endre Gomori. Thus, the press cannot be made subordinate to a government that was just elected. The radio, the television, the news agencies and the printed press represent the fourth estate which we must not be made dependent on election results. Excepting, of course, the party organs, the press should remain independent of both the losers and the winners of an election. The secretary of the MUOSZ, Gabor Bencsik, supported this assertion by saying that during the campaign neither party tried to win the press over. Gaining the sympathy of journalists simply did not have any significance during the election. Naturally, the National Assembly has the right to establish the rules according to which it would oversee the operation of the press; but this right belongs to the National Assembly alone and not to any of the parties, whether in the government or in the opposition.

Several speakers questioned the need for creating laws to regulate publicity and mass communications. Most of those present answered this in the affirmative. Yet, someone brought up a very logical counterargument that, relying on the Constitution of the United States, deemed any codified regulation of these activities superfluous, claiming that the introduction of press laws can result in nothing more than restriction, which is not at all necessary.

The sociologist Zoltan Jakab called the debate incomplete, and missing a system-based thinking. "The structure of the press must follow the change of the system. This, on the other hand, calls for political wisdom, namely the recognition that governing parties come and go, but the press is here to stay. It recognizes the existing authority, but not in an uncritical manner. What is at risk is a feasible democracy." Along with several others, Jakab brought up the example of England, where the relationship between government and the press is notoriously bad. This is the price of playing the role of control. He called attention to one example: In 1968 the French press suddenly slipped out of the hands of the Gaullist government because journalists were unwilling to accept interpretations that were forced upon them. Instead of accepting the view of the authorities, they went on strike.

It was asserted by many of the participants that journalism and mass communications are professions; they should no more be influenced than a surgeon be told how to perform an operation. And on one point all participants agreed: Freedom of the press is a component of democracy, and no parliamentary democracy can exist if the press is bound.

Local Government Election Law

25000749A Budapest MAGYAR HIRLAP (supplement) in Hungarian 26 Jun 90 pp I-VIII

[Provisions of and legislative intent to "Legislative Proposal Concerning the Election of Representatives and Mayors of Local Autonomous Governing Bodies." Passages omitted include the entire text of the law and parts of the legislative intent. The Legislative Proposal consists of 15 Chapters as follows: I. Suffrage (general and equal elections, to be direct and by secret ballot); II. Voter Registration; III. Voting Districts and Precincts (based on population); IV. Election Organs; V. Nominations; VI. Voting Process; VII. Election System and Determination of Results; VIII. Election of Budapest

and County General Assembly Members; IX. Election of Mayor; X. Protection of Nationality and Language Minority Rights; XI. Legal Recourse; XII. Increased Protection of the Purity of Elections; XIII. Interim Elections; XIV. Changing the Boundaries of Voting Districts and the Legal Standing of Representatives; XV. Closing Provisions]

[Excerpts]

LEGISLATIVE INTENT

To [Accompany] the Legislative Proposal Concerning the Election of Representatives and Mayors of Local Autonomous Governing Bodies

[Translator's note: The related Legislative Proposal on local autonomous government—providing for the rights, duties, authorities and jurisdiction of local governments—specifies "mayors, district mayors, and prefects"]

General Intent

The council system ceases to exist with the election of representatives and mayors for local autonomous governing bodies [hereinafter also: "local government(s)"] in 1990. New types of autonomous governing bodies are established, which enable the achievement of new societal goals. The institutions and detailed rules provided for the election law enhance the development of autonomous governance. Joint councils cease to exist, and every settlement may elect a representative body based on its constitutional right. The councils, numbering approximately 1,600, will be replaced by approximately 3,000 elected representative bodies.

The election law must conform with the law concerning local autonomous governing bodies both as to its contents and order of proceedings. The Proposal describes an election system that:

—Provides a substantive opportunity for the grass roots communities of citizens (parties, association, national and language minorities) and also for individual citizens.

—Conforms with the different political fragmentation of settlements.

—Does not force national partisan political conditions upon local affairs. —Contains procedural rules that are simple and comprehensible from the standpoint of voters.

The Proposal formulates the nominating system in a manner entirely different from the earlier rules. It discontinues the privileged rights of individual political organizations and enables identical participation in the elections for every citizen.

The rules of the election also shape the political institutional system. The election of National Assembly representatives embarked the country on the path of a multiparty parliamentary democracy. In large cities, where parties are strongest also from an organizational standpoint, their participation in the representative bodies of local autonomous governing bodies must be institutionalized.

The system reflected in the election law is complex, and its rules are lengthy due to the requirement for legal guarantees. Voting takes place as follows: in settlements with fewer than 5,000 inhabitants based on the short slate ["small slate"] system, in larger settlements based on individual voting districts, and in cities with populations in excess of 60,000 persons on the basis of a system which considers twice each vote cast. The law prescribes only one kind of system for each individual settlement, therefore each voter must familiarize himself with only one election system. The Proposal formulates the election system corresponding to [various] types of settlements in a manner so that it is the simplest method for each given settlement.

Section-by-Section Analysis

[passage omitted]

Chapter III

Voting Districts and Precincts

8.-13.

The Proposal is not intended to burden the still functioning local authorities during the political transition period with disputes concerning the size of local autonomous governing representative bodies. For this reason the Proposal determines the number of members in such new bodies. In determining these numbers the Proposal reflects a consideration of effective workings and decision making, in addition to considering the number of inhabitants. [The actual provisions of the law establish upper limits of population size and corresponding numbers of representatives; regarding larger settlements with several voting districts, it establishes a one man, one vote rule among such districts within individual settlements; there is no indication of the manner in which criteria for "effective workings and decision making" were determined. FBIS]

Settlements with fewer than 5,000 inhabitants constitute one voting district, consistent with the short slate election system (40.).

Consistent with the individual voting district system (41.), individual voting districts must be established in settlements having more than 5,000, but fewer than 60,000 inhabitants.

In regard to the election of members of autonomous governing representative bodies, the Proposal also takes into consideration the state of the political structure of the settlement. Therefore, in the case of cities with more than 60,000 inhabitants it also yields room to the slate

[voting] character, which enables parties having influence within the jurisdiction of the local government to run candidates for members of local representative bodies.

This system evaluates votes twice, and is therefore so called (42.), places a greater emphasis on individual voting districts, as can be seen from the fact that two-thirds of the representatives must be elected on that basis. In case of a fraction derived as a result of dividing the number of representatives by three, the Proposal provides for rounding in favor of the number of individual voting districts.

The Proposal provides a method by which individual voting districts are to be formed, and enables parties represented in the National Assembly, as well as parties functioning locally to comment in the course of drawing legislative district boundaries.

Considering the special situation of Budapest, the Proposal provides for the election of the members of the Budapest general assembly by way of direct elections based on so-called multiple mandate election districts.

The Proposal delegates the drawing of boundaries for election precincts to the mayor, because within already established voting districts the precincts are significant only from a utilitarian standpoint. The Proposal provides for a case in which a popular referendum or a different election takes place on the same day the representative body is elected. In such case utilitarian considerations demand that drawing the boundaries of voting precincts take place in a uniform manner. [passage omitted]

Chapter V

Nomination

24.-28.

The recommendation of candidates for election is an important element of the legality of elections. The Proposal intends to guarantee this condition by way of a new system for recommending candidates. It intends to reduce state expenditures related to the nomination of candidates, as well as the opportunity for possible abuse by introducing the concept of the signature sheet ["recommendation sheet"].

Greater voter participation is anticipated as a result of this system. Consistent with this new system, the Proposal established the number of signatures required for nomination at a relatively low level. [One percent of the voters in the district; the signature sheet is located in the mayor's office, but individual letters addressed to the mayor's office designating the nominee as well as essential data concerning the person making the nomination will also suffice.] At the same time, however, in due regard to the need to preserve the seriousness of elections, consideration was given to the need that this number not be too low. In places where the system in which elections are evaluated twice, so called, slates may be established by parties which run candidates in at least one quarter of the individual voting districts. No separate signatures need be collected to run a slate. In the interest of reducing the burden placed on voters, the nomination of candidates running in multiple mandate election districts in Budapest are based on the nominating system used for the election of autonomous governing representative bodies in the administrative districts of Budapest. The opportunity to become part of the Budapest general assembly is made possible for parties which are able to run slates in at least five districts, according to the rules of the system in which votes are evaluated twice.

In establishing limits the Proposal considered the need to permit prevalence of interests other than those tied to city districts. Candidates of parties having a base in only a few districts may also run in the elections.

Election of the Budapest representative body by districts serves the purpose of the candidates' commitment to their respective districts.

The Proposal provides an opportunity for parties to run joint candidates and to initiate joint slates. Social organizations may support independent candidates in the election campaign. Similarly, the privacy rights of persons making nominations for candidates are protected by provisions according to which nominations, the names and personal data of persons on nominations are not in the public domain, and by restricting access to such data only by persons enumerated in the law. [passage omitted]

Chapter VII

Election System and Determination of Results

In this chapter the Proposal establishes three forms of the election system to be applied pursuant to the number of population in settlements. The short slate system applies in villages and cities with fewer than 5,000 inhabitants. In villages and cities with populations larger than 5,000, elections take place on the basis of individual voting districts, while in cities with populations in excess of 60,000 and in the various districts of Budapest, the system which considers each vote twice is introduced.

40.

Under the short slate election system to be used in villages and cities with fewer than 5,000 inhabitants all candidates appear on one ballot form, and voters must choose on the ballot form at least as many candidates as members the autonomous representative body may have.

Candidates who achieved the highest number of votes in the elections will become representatives.

In general, the short slate system involves a single round of elections, because a second round would take place only if more than half of the voters did not vote, or if there were fewer candidates in the first round than the

number of representatives that should be elected. More than three million voters in 2,700 settlements may vote based on the short slate election system.

41.

In villages and municipalities with more than 5,000 but not more than 60,000 inhabitants members of the representative body will be elected by the citizens in individual voting districts. An absolute majority is needed in the first round of elections to win a mandate, while a relative majority is needed in the second round.

42.

In cities with more than 60,000 inhabitants and in the administrative districts of Budapest voters elect two-thirds of the representatives based on individual voting districts, while one third of the representatives is elected from slates. The system which considers each vote twice received its name from the fact that except for votes cast for independent candidates, votes cast for parties must be considered both in individual voting districts and in determining the slate results.

Each voter receives one ballot form on which he places a mark next to the name of the individual voting district representative for whom he wishes to cast his vote. The candidate running in an individual voting district who received the largest number of votes either in the first or second round of elections will become the representative. The slate results are established after the individual voting district results were tallied. The local election committee determines the number of votes cast for candidates of the various parties, and disregards the votes cast for independent candidates.

Having learned the number of votes cast for each party the local election committee completes the necessary calculation. The calculation involves the same process that was applied when slate results were calculated in the course of representatives for the National Assembly, in regard to the national slate. The method of calculation which proved itself is able to establish proportions between votes cast and mandates acquired. A significant difference between this system and the slate system applied in regard to the election of National Assembly representatives is the absence of the four percent threshold.

Chapter VIII

Election of Members of the Budapest and County General Assemblies

43.

In the administrative districts of Budapest the election of members of the autonomous governing body takes place in the framework of the election system which considers votes twice. The election of Budapest's representative body takes place in multiple mandate voting districts, per Budapest administrative districts, based on slates. Slate elections take place within a proportional election system, slates are allotted mandates in proportion to the votes cast for the various slates.

Accordingly, Budapest voters receive two ballot forms in the course of electing autonomous governing bodies. Using one ballot form they vote for the members of the autonomous representative body of the Budapest administrative district, while the other ballot form is used for the election of the administrative district's representative to the Budapest general assembly.

Voters from one or more settlements elect the members of the county general assembly in so-called multiple mandate election districts, from slates. The election rules are the same as those applicable to the election of the Budapest representatives, the only difference being that a multiple mandate election district may be formed jointly by one or more settlements.

Chapter IX

Election of Mayors

44.

Depending on a decision to be rendered by the National Assembly, the Proposal provides that the mayor of villages and cities with fewer than 5,000 inhabitants shall be chosen in direct elections. In such cases a settlement must be regarded as one voting district, and nominations must be made, the elections must be administered, and the results must be determined pursuant to principles applicable to individual voting districts. [passage omitted]

Pozsgay's Former Secretariat Chief on Giving Up Office

90CH0279A Budapest OTLET in Hungarian 10 May 90 p 11

[Interview with Dr. Laszlo Vass, deputy chairman of the Office of the Council of Ministers and the chief of Imre Pozsgay's Secretariat, by Mihaly Varga in the Parliament Building on the day of the Nemeth government's resignation: "The State Minister's Secretariat Is Packing"—first paragraph is OTLET introduction]

[Text] About the same time that Prime Minister Miklos Nemeth was handing in his government's resignation to the newly elected parliament, a few rooms away I was interviewing Dr. Laszlo Vass, the deputy chairman of the Office of the Council of Ministers and the chief of Imre Pozsgay's Secretariat. Therefore, the topic of the interview had to be the secretariat's future. The young chief of the secretariat, who holds two diplomas, began the interview by saying:

Our commission has now expired. But the technology of dissolution has not been developed: there are no regulations on how to dissolve such an apparatus. We have been living in almost complete uncertainty for some

time. One of our colleagues requested a personal evaluation and has already found another job. But the others are still working here. To end the uncertainty, I have requested that my colleagues be given notice. I do not know what will become of me. I, too, have read in HETI VILAGGAZDASAG that I am on the list of those who are to be dismissed. But I do not know whether such a list exists at all. Neither the competent officials of the Council of Ministers nor the representatives of the new ruling party have informed us of this. Nor do I know when I can expect my dismissal to take effect. It is possible that I might be dismissed when the government hands in its resignation, or perhaps only as of 1 June. Naturally, I would have asked the official in charge of personnel, but he happens to be on vacation.

[Varga] Where will you people be heading?

[Vass] Everyone wants to find a job in his own field, and that also limits our opportunities. The ones who have a law degree and experience of public administration will have no trouble finding jobs. The same can be said of the economists. But those of us who are the closest to politics will not find jobs easily. I have had interviews with the University of Economic Sciences and would like to return there. That is where I came from to this job, and I have continued teaching on a part-time basis. The absence of a network of contacts who could help us change careers worsens my chances of finding a job. We also feel that society does not appreciate the experience we have gained here in this work, although that experience is equivalent to a science candidate's dissertation. We have been working here at a time when we could observe day by day the processes of a society's transformation. I would like to make use also of the knowledge that I have gained here. But we feel that the vast experience we have gained here does not enhance our "market" value.

[Varga] How are you adjusting to this change? After all, you were one of those who organized the state's transformation, its democratization.

[Vass] With difficulty, to be quite frank. I have never borne uncertainty well, and therefore the present situation is rather unpleasant. I also find it difficult to adjust to the fact that other people's assessment of us has changed completely for the worse. While we, too, were important actors in the change of regimes, we got caught between the conservative Communists and the new political forces. Those of us who left this place earlier had a better chance of finding jobs than we now have. I find it hard to accept this situation, although I should be looking on it as a success: after all, for years I have been fighting for a change of regimes, for peaceful democratization.

[Varga] When seeking employment, do you feel as if you had been branded in some way?

[Vass] When I talked about this with my colleagues, they all said that a sort of fear seems to envelope them. Even in the friendliest job interviews they felt that employers were concerned about the "record" of anyone working here. The employers feared that someone might once call them to account for hiring anyone who worked here. In my case, the colleagues with whom I worked two years ago, and among whom I have been teaching on a part-time basis also in my present job, are welcoming me. But at the university, nevertheless, there have been comments reminding me that I, too, should consider myself a "parachutist." Evidently, the interesting thing is not who I am, what I know and how much I am worth, but from where I am coming back to the university. And it is practically impossible to walk in from the street and find employment.

[Varga] What will you be taking with you in your luggage?

[Vass] Vast experience, as I mentioned earlier. The time I spent here has been very edifying. I may say without any feeling of self-importance that I have sensed the breath of history. I think that to follow and help along society's transformation at Imre Pozsgay's side has truly been work of historical significance. The political reform gave me experience. I have been able to observe the emergence and development of political organizations, and the behavior of the persons constituting those organizations. And I have gained also international experience. I have been able to become acquainted with the political and economic systems of countries that earlier I knew only superficially.

[Varga] Now that you have mentioned Imre Pozsgay, allow me to ask you: Would it not have been possible for you to stay on as his personal consultant?

[Vass] As a deputy of the National Assembly, he will not have a full-time personal consultant. The MSZP [Hungarian Socialist Party] will probably set up a body of consultants attached to the faction, but the individual deputies will not have consultants of their own. We, of course, will be glad to help him in his work. My colleagues and I have already been discussing how to help him. In other words, we will be sticking together as a group of friends.

[Varga] Will he make use of your help?

[Vass] I am certain that he will. After all, we have been working with him for two years and have gotten along well.

[Varga] Is Imre Pozsgay helping you now in your difficult time?

[Vass] He is helping us, but not enough. He overworked himself in the MSZP's election campaign, having attended more than 60 election rallies. Despite the many misfortunes that befell him, he set his personal interests aside and prepared seriously for the new situation. As a result, he is unable to help us as much as we might have expected. His help, of course, would have been mainly moral support, because I specified that I myself want to arrange my own future.

[Varga] With hindsight, would you accept this job if you were to start all over again?

[Vass] I would, but I would also make better preparations for its termination. I would develop a better network of contacts and devote more attention to my return to private life. One must take cognizance of the fact that, once there is a change of regimes, we have to live through it. It is natural to change jobs at such times. Good plans have been produced at the university, and I would like to implement as many of them as possible. I also need a respite to sum up my experience, and to incorporate it in my scientific work and teaching.

POLAND

Liberal-Democratic Congress Convention Reaffirms Center-Right Stand

90EP0786C Warsaw RZECZPOSPOLITA in Polish 30 Jun-1 Jul 90 p 3

[Article by W.K.: "First Convention of the Liberal-Democratic Congress: Agreement With the Directions of Economic Changes"]

[Text] "The Convention of the Liberal-Democratic Congress closes the prepolitical period of our movement," declared Dr. Janusz Lewandowski, leader of the KLD [Liberal-Democratic Congress], on inaugurating in Warsaw the two-day deliberations of liberals representing 20 economic societies which, while differing fairly broadly in their views, are in agreement on their desire to institutionalize the political orientations they represent and make the societies themselves genuinely economic.

Two hundred delegates from across the country debated last Friday the draft statute and program of the party which, professing Christian values, intends to gain economic, political, and social freedom for all. They concluded, as if under the dictation of the classics, "Liberalism is neither a religion nor a world outlook; nor is it any party of special interests. It desires to give mankind one thing: a tranquil and undisturbed growth of universal material prosperity so as to protect the society against the external causes of pain and suffering."

The delegates resolved that during the convention they will decide on the eventual entry of the KLD in the Center Accord, which earlier, several known representatives of liberal milieux had joined. They stressed at the same time that they are in agreement with the general direction of economic changes outlined in the L. Balcerowicz [Economic Restructuring] Program. They also pondered what kind of party the KLD is to be and rather preferred a modern, elected party of the Western center-right type, focusing on electoral campaigns and not interfering with the affairs of individuals.

During the deliberations the floor was taken by, among others, the Vice Chairman of the British Conservative Party (leader: M. Thatcher) Sir Geoffrey Pattle, who announced that this year Great Britain will allocate £250 million for aid to Poland—among other things, for teaching English and training Polish managers.

Socialist Parties Form Coordinating Commission, Seek Unification

90EP0786B Warsaw RZECZPOSPOLITA in Polish 3 Jul 90 p 2

[Article by Jan Forowicz: "Integrating the Polish Socialist Parties"]

[Text] A convention for merging the Polish socialist parties is to be held this coming fall. As of 26 June a coordinating commission consisting of representatives of four of the six existing factions of the PPS [Polish Socialist Party] has already started to operate.

The desire for the fusion has been expressed by: the PPS of Jan Jozef Lipski; the PPS RD [Democratic Revolution]; the PPS TKK [Provisional Coordinating Committee]; and the Central Foreign Committee [CKZ PPS] of the PPS in London. The two nonparticipating groupings are the PPS Independents and the Osobka-Morawski PPS. The largest of these parties, the PPS of Jan Jozef Lipski, has more than 2,000 members, followed by the PPS RD with about 400 members, the PPS TKK with about 200, and the PPS Abroad with 700 members.

According to Professor Wladyslaw Kunicki-Goldfinger, each of the parties participating in the work of the Coordinating Commission has an equal number of representatives in that commission. The decisions are taken on the basis of a consensus. This is the procedure by which the commission has already drafted a declaration of intent [to merge].

In describing the historical genesis of the merging PPS groupings, that declaration refers to the national independence-oriented socialism identified with such leaders as Kazimierz Puzak and Tomasz Arciszewski, and to the Solidarity opposition. Among the principal aims of the merged PPS, the declaration mentions building a genuinely sovereign Poland whose state system will utilize the tried and tested solutions of parliamentary democracy. The PPS desires a Poland of social justice that guarantees respect for the rights of man and provides equal opportunities for everyone as well as, as it was expressed, universal access of all citizens to opportunities for personal growth. Concerning the right to work, it emphasizes the need to retain the corresponding constitutional provision. The uniting Polish socialist parties perceive the need to establish a market economy in Poland, but enter the caveat that this type of economy is not a panacea for all the social and economic ills. Wherever needed, the framers of the declaration add, the state should effectively employ known forms of state intervention. The declaration of intent ends with an appeal for

participation and support, addressed to all sympathizers of the PPS who cherish the independence-oriented traditions of socialism.

"The breakup of any political party results in discouraging many sympathizers from joining up, which of course does not strengthen the party. The fusion of the Polish socialist parties will create a new and more favorable situation and facilitate the struggle to accomplish our goals," Senator Jan Jozef Lipski told RZECZPOSPOLITA.

Warsaw Local Government Administration, New Officials Outlined

90EP0727A Warsaw RZECZPOSPOLITA in Polish 18 Jun 90 p 4

[Article by Krystyna Chrupkowa: "What Every Varsovian Must Know"]

[Text] In an article entitled "What Every Citizen Must Know" (RZECZPOSPOLITA, 30 May), we wrote about Poland after the self-government elections. We steered clear of the subject of Warsaw because of the specific nature of its system of self-government. Some Warsaw residents, who are not sure where they really live and who governs them, have turned to us, and so we are compelled today to return to the question.

Since 27 May 1990, Warsaw has been a union of gmina districts and has had a legal identity. Thus, the capital, as such, has no government administration and, just as in the rest of the country, this administration starts only at the voivodship level. The voivodship governor of Warsaw embodies this administration in the Warsaw Voivodship. Regional offices, which do not yet exist but which certainly must also be created in Warsaw as well (not later than the end of August 1990), also belong to the government administration.

Seven Gmina Districts

At present Warsaw is a union of the following gmina districts (I will repeat the new nomenclature with maniacal persistence so that it sticks with you): Mokotow, Ochota, Praga-Poludnie, Praga-Polnoc, Srodmiescie, Wola, and Zoliborz.

In each of these there must be: a council of the gmina district—the legislative and control organ—composed exclusively of councilors, elected on 27 May, with a chairman and one to three deputy chairmen, elected from among the councilors.

A gmina district board—the executive organ—headed by the burgomaster, composed of from four to seven persons, is elected by the council of the gmina district from among its members. The burgomaster and his deputy may come from outside the makeup of the council. The burgomaster performs his tasks with the aid of the gmina district office and the self-government employees employed therein.

The gmina district may, if such is the will of the council of the gmina district, create auxiliary units: residential complexes, village administrator's offices, and other forms of organization of local communities.

This is the organizational scheme of the self-government in each of the seven gmina districts.

One Union

Warsaw as a whole is a union of gmina districts with the following organs:

Warsaw Council—A legislative and control organ composed of 28 councilors (four each from every gmina district elected by the council of the gmina district), with a chairman and one to three deputy chairmen. It is clear that the latter are elected by the Warsaw Council itself. The Warsaw Council will meet for the first time before 21 days have elapsed since the establishment of the council of gmina districts, or by 28 June.

Warsaw Board and President of Warsaw—These are the executive organs of the union, which perform their tasks with the aid of the Warsaw Office and the self-government employees employed therein. The board secretary is responsible for the efficient operation of the Warsaw Office, for the conditions of its operation, and for organizing its work.

How is the president of Warsaw chosen?

The Warsaw Council at its first meeting will select candidates for this position and will call the Electoral Assembly. This assembly, which is composed of councilors from all districts, is not a permanent organ; it is a one-time gathering solely to elect the president of Warsaw.

The assembly shall elect the president by an absolute majority of those voting in a secret ballot for which at least one-third of the councilors are present. If the first round does not yield a decision, two, and only two, more rounds of voting are held. The two candidates who have received the greatest number of votes enter these rounds of voting. If neither of the candidates attains an absolute majority during these rounds, the candidate who receives the greatest number of votes in the final ballot becomes president of Warsaw.

The Electoral Assembly shall elect the president of Warsaw (who does not have to be a member of the Warsaw Council and assembly) within 14 days after the formation of the Warsaw Council, or by 12 July at the latest.

How is the Warsaw Board composed, with its three vice presidents and five members?

The president of Warsaw, within seven days of his election, will call a meeting of the Warsaw Council and will present to it board member candidates. Up to one-third of the members of the union board may be selected from outside the Warsaw Council.

The Warsaw Council elects the entire board by secret ballot with at least three-fourths of the members of the Warsaw Council present.

Voivodship Sejmik

All gmina districts and all gminas from the area of the Warsaw voivodship shall effect a joint representation, or a self-government Sejmik. The gmina councils (councils of gmina districts) elect delegates to the Sejmik by secret ballot from among their members. The self-government Sejmik in the Warsaw Voivodship shall be composed of about 100 councilors.

Line of Division

The line of division of powers and tasks among the gmina districts and the union of gmina districts (and their corresponding organs) is theoretically simple. All public matters of a local significance (not reserved by law for other organizational units) belong to the gmina districts; matters emanating from Warsaw's nature as a capital city and public matters of general municipal significance belong to the union. The union statute will define the special division of tasks and powers between them, in accordance with the binding legal regulations. It may already be noted (just by way of example) that the Warsaw Council (the organ establishing the union) will establish the local law binding throughout all of Warsaw. It will resolve long-range development programs and territorial management plans for Warsaw; it will fix payment for the use of the services of enterprises, plants, institutions, and general municipal facilities; it will also establish administrative payments; and it will pass resolutions on matters of sharing the taxes and general subsidies constituting the income of gmina districts and the like.

From the viewpoint of the citizen who has a matter to be resolved in the gmina district office, the burgomaster will be the most important figure. He is authorized to hand down administrative decisions in individual cases (he may delegate this authority to others).

It must be kept in mind that a decision of the burgomaster may be appealed to the president of Warsaw (and, finally, to the NSA [Supreme Administrative Court])—when it is a matter of the gmina district's own tasks and to the voivodship governor (and, finally, to the NSA)—when it is a matter of tasks delegated to the gmina district.

We wrote about inherent and delegated powers in the article entitled "What Every Citizen Must Know" and in the series entitled "What Matters Are the Domain of the Gmina?".

On the Future

Since 27 May 1990, Warsaw has been a union of seven gmina districts. Will it always be this way? Not necessarily. Over the course of the next year, the union will conduct consultations with the residents and, by 31 October 1991, it will approach the Council of Ministers with a recommendation to redistribute the Warsaw area into districts and, possibly, to increase the number of districts. If such a decision is made by 31 December 1991, the councilors of the present council of gmina districts will become councilors in the new districts, according to their place of residence. Supplementary elections may also be held.

The gmina district itself may likewise make a recommendation to the Council of Ministers to create two or more gmina districts in its area.

The 18 May 1990 law on the self-government system of the capital city of Warsaw is published in DZIENNIK USTAW, No. 34, 26 May 1990.

Burgomasters of Gmina Districts

- Srodmiescie—Jan Rutkiewicz, architect
- Mokotow—Lech Krolikowski, historian
- Zoliborz—Jozef Menes, engineer
- Wola—Pawel Bujalski, teacher, journalist
- Ochota—Grzegorz Buczek, architect
- Praga-Poludnie—Edward Malecki, farmer
- Praga-Polnoc—Bogdan Soporowski, economist

Chairmen of Councils of the Gmina District

- Srodmiescie—Kazimierz May, physician
- Mokotow—Stanislaw Falinski, historian
- Zoliborz—Alina Janowska-Zablocka, actress
- Wola—Grazyna Mirosz-Karolewska, lawyer
- Ochota—Maciej Gielecki, engineer
- Praga-Poludnie—Tadeusz Kozak, engineer
- Praga-Polnoc—Waldemar Chmielewski, professor, archaeologist

RSW Liquidation: Focus on Media in Rzeszow

90EP0786A Warsaw RZECZPOSPOLITA in Polish 2 Jul 90 p 2

[Article by Antoni Adamski: "Who Will Replace the RSW [Workers Publishing Cooperative]? Between Credibility and Solvency"]

[Text] The Rzeszow Press Publishing House, a part of the Prasa-Ksiazka-Ruch RSW [Workers Publishing Cooperative] concern, is subject to liquidation. Here the word "transformation" would be more suitable, because, despite certain arrears in payments, this publishing house is bringing in substantial profits. The former PZPR [Polish United Workers Party] daily NOWINY and the weeklies ZYCIE PRZEMYSKIE, PODKARPACIE, and TYGODNIK NADWISLANSKI last year netted profits totaling 812 million zlotys. Last December 80 percent of that amount was for the last time transferred to the bank account of the RSW Board in Warsaw. Afterward, these periodicals became financially autonomous instead of earning money for the RSW officials at the center. Although the loss due to unpaid interest reached 171 million zlotys last May, the profits for the same period totaled nearly half a billion zlotys. The assets of this publishing house exceed 2.5 billion zlotys and have not yet been completely appraised.

There are several pretenders to the RSW inheritance and, as usual among candidates for heirs, their mutual relations are bad. On 8 May, a journalist press-publishing cooperative was registered, founded by 128 employees of the former Rzeszow RSW (mostly reporters). They contributed 750,000 zlotys each to a total of 96 million zlotys, which at present represents the sole capital of the new cooperative. Under the Decree on Liquidating the RSW Concern, the assets of the Rzeszow RSW can be transferred gratis to these reporters unless litigants show up. But interest in these assets has been expressed by the Rzeszow Municipal Council (NOWINY), the Tarnobrzeg Voivode (TYGODNIK NADWISLANSKI), and the Krosno Voivode (PODKARPACIE), while the Catholic Intellectuals Club, the Przemysl Cultural Society, and the Regional Solidarity Council all want jointly to own ZYCIE PRZEMYSKIE and, to this end, establish a joint-stock company.

The dispute occurs on two planes—political and financial, although sometimes it is difficult to tell whether the credibility or only the solvency of the discussants is concerned.

The reporters are most perturbed by a proposal for transferring the local press into the hands of the authorities: "The restructuring of the surviving, regional post-Communist press in the direction of assigning it to the new authorities...is leading it in a fatal direction," wrote Adam Warzocha in NOWINY, in an article bearing the significant title "The Entire Press in the Hands of the Authorities?" He continued, "The more the mass media are emancipated from the authorities, the better for the society, and for the government as well. Wise decisionmakers know that it is better to have critics than flatterers, better to have an independent press than a servile one. Could it be that in this case the new-wave decisionmakers have views derived from the PZPR decisionmakers?"

Jan Rejman, the chairman of the Rzeszow City Council, declared, "Is local self-government a threat to press freedom? Let's be honest about the real issue in this dispute: we declared our wish to buy NOWINY for financial reasons since it is a prosperous enterprise. Let's have an auction, with the winner being the one who has greater funds. Nowhere it is said that we must win. We are concerned with only one thing, the free interplay of economic forces. Why should the reporters get all those assets gratis?" But Janusz Klich asked in NOWINY, "How can the aldermen want to buy and financially sponsor this newspaper considering that the municipal treasury has a deficit of 15 billion zlotys?"

In their turn, the members of the Rzeszow Branch of the Association of Polish Journalists believe that transferring these assets to the cooperative would merely formalize their ownership by the so-called journalist nomenklatura. A different opinion is voiced by the parliamentary members from Rzeszow Voivodship: Senator Boleslaw Fieszar and the Sejm deputies from various political parties, Leszek Czerwinski, Adam Matuszczak, and Kazimierz Wozniak. They met with the management and reporters of NOWINY and appreciate their efforts "...to transform the newspaper into a fully independent and open daily presenting the views of different orientations" (NOWINY, 4 June). Changes in editorial personnel have been taking place since January, following the election of a new editor in chief and editorial board of the daily. The Rzeszow journalist community has not so long ago been among the oldest in terms of average age in this country. This situation was brought about by the unusual concern for the ideological purity of the ranks displayed by the Propaganda Department of the Rzeszow Voivodship PZPR Committee and the former chairman of the Association of PRL Journalists. This fact alone reflects the difficulties that must be surmounted by the supporters of a new shape of the newspaper.

Attorney Barbara Litak-Zarebska, the Rzeszow representative of the Commission for Liquidating the RSW, commented, "At the moment I am concentrating on processing the proposals for the division of the assets. These proposals must be consonant with the law, with the public opinion, and, lastly, with common sense."

NOWINY readers have made their opinion known unequivocally. During the period between last January and June, so difficult for the press in general, the daily circulation of that newspaper grew to 100,000 from 60,000 copies. The discussion, which for the time being is under way only in Rzeszow, may be of great importance to the nature of the entire regional Polish press.

Law Creates Agricultural Marketing Agency

90EP0799B Warsaw DZIENNIK USTAW in Polish No 39, 21 Jun 90 Item 223 pp 538-539

[Law No. 223 dated 7 June 1990 governing the creation of the Agricultural Marketing Agency]

[Text] Article 1.1. The state organizational entity called "Agricultural Marketing Agency," hereinafter referred to as "the Agency," is hereby established.

1.2. The Agency is subordinated to the chairman of the Council of Ministers.

Article 2.1. The Agency is a legal entity.

2.2. The Agency is not responsible for the obligations of the State Treasury.

2.3. The State Treasury is not responsible for the obligations of the Agency.

Article 3. The offices of the Agency are located in the capital city of Warsaw.

Article 4.1. The Agency serves to implement the interventionist agricultural policy of the State with the object of stabilizing the farm products market and protecting farm incomes.

4.2. This purpose is accomplished by the Agency chiefly through:

1) Interventionist procurements of farm products and, in particularly justified cases, imports of agricultural finished and semifinished products and foodstuffs.

2) Interventionist sales of farm products in natural and processed form on the domestic and foreign markets.

3) Stockpiling farm products in natural and processed form.

4.3. The scope of activities of the Agency also includes:

1) Analyses of agricultural and food markets, determination of the growth trends in farm output and the attendant market conditions, and the organization of a system for the rapid provision of the related information.

2) In cases warranted by the situation of agriculture and the agricultural market, drafting for the government organizational-legal proposals concerning the agricultural market, interventionist prices of farm products, foreign trade regulations, and other means of intervening in the evolution of supply or demand. These proposals should concern the agricultural markets within the Agency's scope of activities.

3) The possibility of granting credit guarantees.

Article 5.1. The Agency shall take over from the Main Board of State Stockpiles the state stockpiles of agricultural products and finished and semifinished foodstuffs as well as the funds earmarked for this purpose in the Budget Decree.

5.2. The minister of the domestic trade shall, in cooperation with the ministers of finance and agriculture and food industries, specify the rules, scope, and procedure for the transfer of the state stockpiles and funds referred to in Paragraph 1.

5.3. The Agency shall take over without reimbursement the grain warehouses with a combined capacity of 1 million metric tons administered by the "PZZ" ["State Grain Elevators"] Board of Enterprises of the Grain-Milling Industry.

5.4. The minister of agriculture and food industries shall, in cooperation with the concerned parent agencies of the "PZZ" enterprises of the grain-milling industry, specify the procedure and rules for the transfer of the grain warehouses referred to in Paragraph 3.

Article 6.1. The Agency is managed by a chairman who is appointed and recalled by the chairman of the Council of Ministers.

6.2. The chairman of the Agency is the chief executive officer of the Agency.

6.3. The duties of the chairman of the Agency include in particular:

1) organizing the implementation of the purposes of the Agency referred to in Article 4;

2) representing the Agency outside;

3) taking steps to assure the development and effective utilization of activities of the Agency;

4) presenting to the Council of Ministers for approval proposals from the Agency council concerning the prices at which state intervention in marketing takes place.

6.4. The chairman of the Agency submits quarterly reports on the Agency's activities to the chairman of the Council of Ministers, the minister of agriculture and food industries, and the Sejm's agriculture and food industries committee.

Article 7.1. The recommending and advisory body of the chairman of the Agency is the agency council, which consists of a chairman and 20 members.

7.2. The chairman of the council is appointed and recalled by the agency council.

7.3. Members of the council, to include eight representatives of organizations of farm producers as well as of processors, traders, and consumers, are appointed and recalled by the chairman of the Council of Ministers on the recommendation of the appropriate bodies of the concerned organizations.

Article 8. The detailed organizational structure of the Agency is defined in the statute conferred by the chairman of the Council of Ministers on the recommendation of the chairman of the Agency upon first consulting the Sejm's agriculture and food industries committee. The effective scope of activities of the Agency will be determined by the Council of Ministers.

Article 9. The revenues of the Agency derive from budget subsidies earmarked each year in the Budget Decree as well as from its economic activities, trade in securities, and other sources.

Article 10.1. The Agency's financial management follows the rules specified in budget law for institutions funded from the state budget.

10.2. Allowing for the special nature of activities of the Agency, the Council of Ministers shall adapt the rules referred to in Paragraph 1 to the operating conditions of the Agency, and in particular the rules for receiving budget subsidies.

10.3. The Agency retains all of any fund surpluses for the purposes referred to in Article 4, Paragraph 1.

Article 11. The rules for the emoluments of Agency employees shall be defined in an executive order of the Council of Ministers.

Article 12. Technical and organizational services for the chairman of the Agency are provided by the bureau of the Agency.

Article 13. This Decree takes effect on the day of its publication.

President of the Polish Republic: W. Jaruzelski.

YUGOSLAVIA

Need Seen for More Stable Financing of Army

90BA0239A Belgrade NARODNA ARMIJA in Serbo-Croatian 28 Jun 90 pp 5-7

[Article by Stanoje Jovanovic and Mira Vucinic paraphrasing statements of Lt. Col. Gen. (Dr.) Nikola Cubra, assistant secretary in the Federal Secretariat for National Defense, in a press conference for editors of NARODNA ARMIJA and other publications]

[Text] Lt. Col. Gen. (Dr.) Nikola Cubra, assistant secretary for national defense, spoke in the Military Publishing and Newspaper Center with editors of NARODNA ARMIJA and other publications and publishing houses on the current topic of financing the YPA [Yougoslav People's Army] and on the measures being taken in the armed forces so that the conduct of business is as efficient as possible and in keeping with market conditions of economic activity.

Disintegration of the Tax System

In order to arrive at an overall evaluation and to examine the cost-and-effect relations that affect the problems of financing the YPA, we certainly must take as our point of departure the foundations of tax policy and overall fiscal policy in the SFRY.

The 1974 Constitution abandoned the conventional fiscal system and incorporated innovations which, it must be said, do not exist anywhere else in the world. Taxes and contributions were developed: the former as an instrument for financing government (government administration, national defense, additional resources for the underdeveloped), and the latter, as a source of funds to cover social services (education, health, culture...) was transferred to the jurisdiction of SIZs [self-managed community of interest], which had the authority to establish contributions to be paid from income and personal incomes. Fiscal sovereignty was transferred from the Federation to the republics and provinces except for powers in the areas of customs duties and the basic turnover tax. Another model that was introduced was that of quotas—assessment of the republics and provinces to finance the Federation, while at the same time the republics, provinces, and opstinas had unlimited rights to establish revenues for their own financing. This resulted in disintegration of the fiscal system and tax system. For example, in 1989 about 7,500 entities in the country established taxes and contributions on one basis or another. This not only jeopardized the certainty and stability of financing the functions of the Federation, it also made it impossible for it to regulate the fiscal system and tax policy and in that way conduct the country's macroeconomic policy and development policy.

The amendments to the SFRY Constitution (1988) gave the Federation the power to establish the foundations of the tax system—sources, types, taxpayers, and tax bases. However, authority was still lacking to establish the level of tax rates, tax exemptions and deductions which constitute basic elements of the system and instruments for the conduct of tax policy. Contributions for social services remained in the jurisdiction of the SIZs.

The next move was the proposed version of the law on the foundations of the tax system, which covered the turnover tax on products and services, the tax on corporate profit, the tax on personal incomes of workers, and the tax on the income of foreigners from the rendering of international transportation services.

On the basis of the assessment that the constitutional power does not exist for a federal law to regulate the tax system and tax policy, which are indispensable to carrying out an economic reform and increasing the effectiveness of the economic system, when the law was proposed an agreement among the republics and provinces was also proposed to harmonize the tax system and tax policy. The SFRY Assembly adopted the law in December 1989 as a temporary measure, but the agreement still has not been adopted even today, since the republics and provinces did not agree.

Seeing that even those arrangements did not yield tangible results and that there was a need to undertake an integral and radical reform of the present fiscal system (taxes, contributions, compensation, and so on)—the Federal Secretariat for National Defense has been particularly advocating this—the Federal Executive Council prepared a specific document entitled "Bases of Reform of the Fiscal System." It called for major innovations, among which these are especially important: unification of taxes and contributions, that is, of government expenditure and social services, in joint budgets or funds, modernization of the tax structure, redistribution of revenues, optimization of social expenditure and establishment of an effective public revenue service that would establish and monitor this kind of revenue and do the financial auditing of public expenditures.

The tax reform was envisaged in three phases:

- The first phase, which has already begun, and on which so far the republics and provinces have been unable to agree (it does not essentially represent any qualitative progress).
- The second would cover financial reintegration of all forms of public expenditure (social services and government, that is, contributions and taxes) and introduction of the tax on total (synthetic) income of physical persons (citizens).
- The third phase has to do with replacing the present turnover tax on products and services by the added value tax. This means that every phase in the process of production would be taxed, not just the final consumer.

If the proposed reform of the fiscal system and tax system is to be carried out, amendments to the SFRY Constitution or the upcoming constitutional amendments have to provide that the Federation establishes

the uniform tax system and joint bases of tax policy. Otherwise, it is not possible to conduct macroeconomic policy, to support the operation of a market economy in the undivided space of Yugoslavia, nor to carry out the program for economic reform.

Why a Uniform Tax System

The problems of stable financing of the functions of the Federation, which, of course, include the YPA, would also be solved within the framework of the uniform tax system. This is possible only if the constitutional basis is created whereby the revenues of the Federation consist of customs duties and taxes as established by the uniform tax system. Should this position not be adopted, then for the sake of the reliability and stability of financing the YPA and of federal functions as a whole, some of the so-called direct tax sources need to be assigned, and they are above all the profit tax and the tax on personal incomes. The turnover tax is more an instrument of economic policy than a fiscal instrument. At the same time, we certainly should not overlook the following facts:

- No country with a market economy has renounced the conduct of a vigorous fiscal policy as an instrument of economic policy and development policy, the conduct of social welfare policy (standard of living, employment, etc.) and an influence on the country's defensive preparations.
- In the economic sphere, the fiscal effects are reflected in the distribution of the national income, economic conditions, and the unity of the market, prices and consumption, accumulation and investments, the economic structure, scientific research and technological progress, foreign trade and the balance of payments. Were the state to renounce an influence on those essential elements of the economic system, it would inevitably find itself in a chaotic state.
- Fiscal effects are reflected in employment and the distribution of skills, the standard of living, social stability, and other aspects of people's life and work of which a modern state must be mindful.
- Regardless of whether we are talking about unitarian or federal states, they have fiscal sovereignty. This means that they regulate the tax system and budget system and establish the structure of revenues and expenditures for the Federation and for the federal and local units.

The Armed Forces Did Not Seek a Special Tax

It is well known that the armed forces proposed that it be financed from two taxes which are the most important and stable sources of revenues—the tax on personal incomes and the corporate income tax. This commitment on the part of the armed forces, however, was not adopted. In order to finance the armed forces this year, the law adopted a special federal turnover tax: three percent on goods and between five and 25 percent on services, which particularly hurt final consumers, and there were adverse reactions. The law was adopted as a temporary measure in December 1989, at the time when the federal budget was being adopted, since it had not been adopted in regular procedure. Now the law is going through the procedure once again, with certain corrections: some of the rates of the tax on services and the tax on interest have been reduced (it would be paid on the difference between the borrowing and lending rates, that is, on the portion which exceeds inflation). In addition, the Federal Executive Council judged that that tax ought to be established by a law adopted through regular procedure, which is what the Assembly is actually debating, and so it is too early to speak about the final outcome. We should emphasize that the armed forces have no influence whatsoever on the sources which are to be used to finance its regular tasks and development program, nor did it initiate adoption of a special tax. It is better to use the turnover tax as a whole to finance the armed forces and other federal functions and divide it proportionally among all the beneficiaries of the federal budget, than to adopt any special taxes to finance the armed forces.

As far as future arrangements are concerned, the only possibility for stable financing of the armed forces is to build up a uniform tax system in Yugoslavia. The amendments to the SFRY Constitution proposed by the Federal Executive Council called for authorization of the Federation to establish a uniform tax system and the bases of joint tax policy. The Constitution and the law on financing the Federation should in addition provide that the Federation has the right to establish all sources for its own financing, which means all taxes that would be built into the bases of the tax system. These would be the tax on personal incomes and the profit tax. There is an essential difference here that needs to be noted. The taxes on property, wages and salaries and earnings, or profit as they call it in some countries, are instruments of fiscal policy, while the turnover tax is a typical instrument of economic policy. It is introduced above all for goods representing a high standard of living in order to regulate sales of goods on the market and overall relations between supply and demand, not just to collect revenues. Studies of the experiences of five or sixz countries with a federal system have shown that each of them uses direct taxes as sources for their financing.

Financing Over the Long Run

It is still uncertain what the final outcome will be of the process of adoption of the constitutional amendments and the new Constitution and what the solutions will be in the SFRY's tax system. If a uniform tax system is not built, the state has no opportunity to conduct macroeconomic policy, which is indispensable in a market economy. What is more, without a uniform tax system there is no uniform Yugoslav market either, and that jeopardizes even the entire concept of the economy, that is, of the economic reform.

If the proposed amendments to the Constitution are adopted, prerequisites would be created for building a model for financing the YPA. The basic objective is to

guarantee more reliable and stable sources of financing so that the armed forces are not put in the position where they cannot meet the obligations in certain periods of time, when resources from those sources arise irregularly, since this has adverse consequences (loss of business reputation, payment of penalty interest, penalties, etc.).

The future arrangements embodying this system should in addition guarantee that the volume of resources to finance the armed forces is established in the medium-term planning period, which is now done in the Chamber of Republics and Provinces of the SFRY Assembly. The reasons are clear. All armed forces of modern countries prepare development plans for periods of time beyond the budget year, and an arrangement of this kind provides stability in financing and carrying out long-range plans for development. The drafting of the projection of development of the armed forces over the period 1991-95 is in its final phase in the Federal Secretariat for National Defense. It is reasonable, then, to argue that the material limits, that is, the volume of resources to finance the YPA up through 1995, should be established on a constitutional foundation, by agreement, in the SFRY Assembly, so that those development programs would have material coverage. The arrangements embodying the system and the necessary preconditions already exist for this.

Economy Measures and Restrictions

The plan set the figure at 4.9 percent to provide resources for the current financing of the armed forces in 1990, but the percentage adopted was 4.6 in order to facilitate the demand for reform in society. The funds plan for particular purposes have been reconciled with the anticipated 13-percent rise of inflation. Even though no major price increases or rise of inflation are envisaged up to the end of the year, the financial situation in the YPA is extremely complicated even this year. There are several reasons. Prices and expenditures to cover the costs which are dominant in the structure of military expenditure (food, clothing, investments in capital investment projects, and so on) increased far more in January and February than the possible annual level of inflation. A large portion of unfulfilled obligations was carried over from 1989, and at the beginning of the year the armed forces had to meet them. Numerous social services have been raising the rates of contributions applied to personal incomes of persons employed in the YPA, which has also taken away quite a bit of money. In addition, the 4.6 percent is applied to a national income which is smaller in real terms because of the drop in production.

Although funds for defense are coming in regularly thanks to the halting of inflation and more stable economic developments, with respect to financing the armed forces find themselves in the most difficult situation they have had in the last 15 years. Aside from the usual economy measures, then, considerable restrictions on consumption have also been adopted. Many regular activities have been suspended. Purchases have been reduced as have reserves, the amount of maintenance of equipment has been reduced, and construction of capital investment projects has been halted. Plans for housing construction have been pruned back. Extensive exercises have been postponed. Some property which is not indispensable will be sold on the market. Purchases from abroad have been cut back, travel to perform official business has been reduced to the most indispensable amount, regulations are being prepared on the sale of store and office space in residential buildings. Soon the law on the housing supply, which will bring quite serious results in the sale of housing, will be moving through the procedure in the Assembly, but those results will be forthcoming only after several years, since up to that point a large number of official apartments and initial funds for the credit financing of private housing construction has to be furnished. Efforts have been stepped up to increase food production on our own plots of land, which, of course, is done at the expense of combat training. All in all, there is a broad range of these measures which extend all the way from the Federal Secretariat for National Defense to the smallest military collective, whereby previous measures of economy and optimization in conducting business with the defense dinar are being replaced by restrictions. Many other measures are also being taken in order to overcome the shortage of resources, to somehow "survive" this year, and to meet the larger obligations and debts. After all, analyses show that so far nearly 60 percent of the resources planned for 1990 have been committed. Although the inflow is more prompt, the volume of resources for tasks which are to be performed this year is not nearly enough to meet all obligations.

Reduction of the Armed Forces and the Restructuring of Income-Earning Institutions

Further reduction of the armed forces is the most important measure toward optimization. In this medium-term period, the wartime armed forces have been reduced by all of 23 percent and peacetime forces by 19 percent, and a portion of this reduction is taking place this year. This process will be continued. Although the initial results are considerable, this reduction does not, however, instantaneously bring about a proportional reduction of resources. That is, some of the results will come only later. Over the long run, numerically smaller armed forces, which will be better equipped and better clothed, are the essence of the concept of optimization and economy. This is actually a question of a still bolder turn toward quality.

The reduction of the size of the armed forces and of the number of military personnel also reduces the infrastructure (the number of garrisons, certain facilities are being abandoned), which reduces the amount of security with guards, the maintenance of structures, the communications network....

The turn toward the market and the commitments to the reform also call for new moves in almost all sectors. The

engineers will be providing certain services, provided their inevitable expenses are covered. Transport planes will be providing transportation services, and the armed forces will also be offering other services for appropriate compensation. A study will be made of the business operation of income-earning military institutions. Their volume and size will be reduced to what is most essential for the life and work of the YPA and will be brought into line with real needs. This applies above all to repair plants, construction establishments, institutions engaged in agricultural production, printing and publishing services, etc. There will also be a change in the way they do business. Some of these institutions will probably continue to be associated with the armed forces, they will be issued direct assignments for which standard amounts will be paid, and the monthly earnings of employees will depend on that. Some of the institutions will probably operate entirely on a business basis, and their destiny will depend on their success. It is, of course, too early to provide final answers, but it is not precluded that some of them will become public enterprises owned by the armed forces and that some of their facilities will be sold, if it is found that they are inefficient, and certain institutions will be quite significantly reorganized. The excessive independent housing administration will certainly be decentralized and oriented toward the rents and buildings, a price list for services will be established, since the present cumbersome organizations are modest. Some of the capital investment projects could be done by specialized construction organizations: for example, some armament and military equipment could be repaired by the work organizations which manufactured it.

What will be changed and how the changes will be made will be shown by professional analyses as part of preparations of the next medium-term plan and within the limits of the tasks and plans for development of each segment of the armed forces. Consideration will, of course, also be paid to the fate of those employed in those institutions.

[Box, p. 6]

Resources Planned and Set Aside

What resources are actually being set aside to finance the YPA in the current medium-term planning period? The plan envisages an amount of 5.2 percent of the national income. Annual budgets have changed this, since only in 1986 was that high a percentage actually adhered to. In 1987, the percentage was dropped to 4.94, and that is what it was in 1988 as well. In 1989, the figure planned was 4.6, and it is the same for 1990. However, there has been a constant gap between the resources planned and those actually transferred. The amounts actually received were as follows: 4.79 in 1986, 4.61 in 1987, 4.21 in 1988, and 4.6 in 1989. The reduction of resources to finance the YPA could not fail to have the consequence of a large reduction in the physical volume of development programs, above all the program for technical modernization, which has put the armament industry in an unenviable situation. With this size of orders for armament and military equipment it cannot employ all its capacities or conduct its business profitably.

[Box, p. 7]

Sale of Facilities

Aside from store and office space in residential buildings, the armed forces will also be selling some of the structures they have abandoned, land and old equipment not necessary for performance of regular tasks. The sale will be made according to market criteria, in public, by auction, and public organizations and private persons can participate on an equal footing in making purchases, and the value of public property will be fully protected. If adequate prices are not offered, the facilities will be leased under the same conditions.

CZECHOSLOVAKIA

Adoption of Polish Model of Reform Rejected

90CH0342A Prague PRACE in Czech 17 Jul 90 p 5

[Interview with Professor Milan Matejka of the Higher School of Economics in Prague by Jaroslav Hejkal; place and date not given: "Let Us Not Repeat the Mistakes of Other People"]

[Text] Lately there is more and more talk about the connections between the radical economic reform in Poland and the one here in this country. The similarity in the concept is pointed out and the actual economic consequences of the path chosen in Poland, who started their reform before we did, are particularly noted. Because these consequences in the areas of production and employment are very unfavorable, even the Poles themselves are wondering why we are choosing the same path, or a similar one, and why we do not learn from their mistakes. The Minister of Labor and Social Affairs, Jacek Kuron, also recently expressed this wonder on Polish television. We asked Prof. Eng. Milan Matejka, Doctor of Science, of the Higher School of Economics in Prague to talk about this matter. He had beforehand publicly and repeatedly warned about what was to happen in Poland and what in his view we can expect here as well if we do not change our concept of economic reform.

[Hejkal] Professor, just what do the designs of the Polish and Czechoslovak reforms have in common?

[Matejka] It is a recipe whose main elements have not been thought through by either the Polish economists nor our own (Balcerowich and Klaus). Its origin is ascribed to the Harvard professor, Jeffry Sachs. This American, now 35 years old, and his coworkers have already applied this recipe earlier in several Latin American countries and now they are attempting to give it the broadest possible application in Eastern Europe.

[Hejkal] How do other experts, mainly the Americans, evaluate this cure? Can you give the names of any people or institutions who are critical of Sachs' concept?

[Matejka] That is not hard. Many experts criticize Sachs' "medicine," both individual parts of it and overall. The employees of the Schiller Institute are among the sharpest critics. In an informational bulletin from that institute in January of this year they state, among other thing, "Sachs built his reputation as an expert in economics in Bolivia where he succeeded in reducing inflation from an unbelievable 40,000 percent to 25 percent. What neither he nor his colleagues brag about is the fact that at the same time he succeeded in ruining the productive sector of the Bolivian economy. After Bolivia, Sachs went into "restoring the health" of Peru, Venezuela, and Argentina. If Poland and Czechoslovakia sign up for Sachs' prescriptions they can expect the day to come when they will look back on the present economic chaos as the good old days."

The Schiller Institute, criticizing the monetary school ("a paper economy") and preferring the so-called physical economy, stands at one of the economic poles. However, Sachs is also criticized by middle of the road economists. For example, Paul Samuelson, winner of the Nobel Prize for economics and a person of great authority in this country as well, stated "Most middle of the road economists are surprised at what they are hearing. At first we, the uninitiated, thought that the East Europeans and their Harvard advisors want to build something like America after the New Deal (Roosevelt's concept). But now we see that instead of this they are headed toward the original, unmodified capitalism of the time of Charles Dickens."

Some other world-renown American economists, for example, K. Galbraith, also have basic criticisms of Sachs. We also hear partial reservations from Sachs' close and kindred colleagues, even from his teacher, M. Feldstein. And it is certainly noteworthy that among the sharp critics of the Sachs doctrine are American professors of Czech origin who have pointed out the unsuitability of the Sachs "therapy" for the Czechoslovak economy in our media as well. I have in mind here Professors Pucik, Vanek, and Zeleny.

[Hejkal] Would you please explain at least briefly the basic principles of the Sachs concept?

[Matejka] Sachs is a proponent of liberal capitalism and he recommends making a transition over to it all at once, with shock tactics, and resolving the problem of imbalances through a restrictive financial policy. There are basic objections to all three of the main factors of his concept—where to go, how fast to proceed, and what path to take. As far as the goal is concerned, liberal capitalism is far from the optimum economic system and it is not even realistic in the industrialized countries of the modern world. We find it only in the third world. In the countries that developed the most rapidly and effectively in the postwar period—Japan, the FRG, and other East Asian and West European countries—the government plays an important regulatory and developmental role. It is the same in Canada and in Australia and even in the United States the market does not decide everything by a long shot. "Our life is controlled and protected by the government; capitalism in its pure form would be as unacceptable for the Eastern Europeans as it is for us," says K. Galbraith. "To expect miracles from the invisible hand of the unregulated market is extremely naive." These are the words of Prof L. Taylor of MIT (the famous Massachusetts Institute of Technology where P. Samuelson also now works). As far as the speed with which the transformation of our economic system into some type of market economy should take place is concerned, M. Feldstein among others does not agree with the Sachs "shock therapy." He advises the East European countries to "take it slowly." And as far as the path that we should choose is concerned, opponents of the restrictive policy of "belt-tightening" recommend on the contrary a stimulation of economic growth and the development of production, an orientation toward

increasing the supply. Among others, all the American professors of Czech origin named above propose this and they are well acquainted with the reserves in our economy. And K. Galbraith said, "it would be a tragedy if the people in Eastern Europe started to equate their newfound freedom with economic suffering."

[Hejkal] Professor, let us switch over from theoretical disagreements to practical matters. We know Sachs' "treatment" did not help Poland very much. According to newspaper reports, after just a few months of the "treatment" the Polish Government was forced by the threat of a general strike by the railroad workers to ease its restrictive policies, unfreeze wages, and cancel the custom duties, that is, to pull back some elements of Sachs' "therapy." Now they supposedly are even announcing an orientation toward economic growth. Of course, newspaper stories are only newspaper stories. Would it not be useful for us to be more deeply informed about the Polish experience and to draw some basic conclusions from them for us as well?

[Matejka] It would be a welcome step for our experts to take in that direction. However, it is also important to analyze the situation in the GDR where political reasons led to an economic shock which would have obviously led to the collapse of the East German economy without the substantial West German assistance. Because the state of our economy is very similar to that of the GDR, we can easily imagine the consequences of "shock" therapy for us. However, we unfortunately do not have a "big brother" who would pull us out of the worst of the situation.

[Hejkal] You mention the similarities of the conditions in the GDR and Czechoslovakia. However, there are specific differences in each individual country. A "therapy" suitable for the GDR or Poland is not necessarily suitable for us.

[Matejka] I agree. I have already pointed out the entirely different external situation of the GDR. As far as Poland is concerned, for them hyperinflation was characteristic which is not the case here. And in this connection the restrictive "medicine" of Sachs was partially justified. Its application here, however, would lead only to negative results in the fields of production and employment and it is possible to have reason to expect a growth in inflation as well, which so far has been low here. In Poland Sachs' "medicine" did indeed succeed (just as in Bolivia) in ending the period of hyperinflation but the level of inflation is still high there, substantially higher than inflation has been here.

[Hejkal] What approach would you choose then?

[Matejka] I have already outlined my position on the key questions. I did not consider liberal capitalism, which is at the opposite pole from our current centralistic system, to be the optimum economic system. In my opinion the optimum lies somewhere in the middle. It is an economy which is carefully regulated by the government and stimulated to development. I have mentioned the countries which I consider to be good examples for us. The transition from the current economic system to such a system as I consider to be optimum should be gradual and with differences between branches depending on the material conditions. In some branches, such as in the consumption sphere, we can liberalize prices and open our economy to foreign competition immediately. Elsewhere that can be done in the best case only after several years. But the government must actively work to change the material conditions which are essential for the implementation of the optimum system of managing the economy. It is necessary to create an atmosphere of domestic competition and to develop pressure on the enterprises to increase their technical parameters and the quality of their products and to make the production technology cheaper so that our enterprises can hold up in worldwide competition. Immediately opening our economy to the world could topple a number of our industries, especially those without which we have no hope of again taking our place among the advanced countries of the world. The Japanese in particular warn us against this.

I consider it essential to apply a developmental, expansionist economic policy throughout the entire transition period (and after it as well). With a decline in production we will never catch up with those who are ahead of us and are still developing. I see a mutual connection between transforming the economic system and economic growth. In this area as well it is possible to take other countries as models, as I have already written in HOSPODARSKE NOVINY.

[Hejkal] The conflict over the concepts of reform also has, of course, a philosophical aspect...

[Matejka] Certainly. For example, T.G. Masaryk clearly preferred gradualism and evolution over revolution and shocks and he emphasized the need for systematic growth. According to him, "to keep up means constant growth and constant gain and each year should be like a man who climbs one rung higher on a ladder." That is my philosophy as well. As soon as a person or a society falls down off this imaginary ladder, it can take quite a long time before they get back to at least the original rung.

In the economy it is particularly dangerous to allow a decline in production or even to cause it artificially by a restrictive policy which has not been thought all the way through. It is very hard to stop your position from getting worse in comparison with growth-oriented countries since with a drop in production you must first of all ensure the consumption needs of the population (among other things, compensation to the unemployed, who produce nothing), which must necessarily have a negative impact on the size of capital investment and thus also on the future growth in production. By using these elementary dependencies, economic theory explains the inability of Third World countries to halt their increasing relative lagging behind the industrialized

countries. Let us not have any illusions that we ourselves will work our way into economic prosperity despite the current decline in production. Elementary economic logic applies even to us. If we today, for example, stop building a superhighway, our manufacturers will have worse economic conditions in terms of higher transportation expenses and in not being able to meet delivery schedules. And this could be a substantial difference in comparison with the foreign manufacturers who have a high-quality infrastructure. It is even less foresighted to close down scattered production capacity. We can in fact see the same in expenditures today, but we reduce by much more our income in the future [as published]. The restrictive medicine for the economy is terribly shortsighted and shortwinded. Understandably, I have in mind here restriction of productive expenditures.

[Hejkal] Your position would obviously find greater understanding abroad than here at home. Here you are even known as the lone proponent of halfway economic reforms which we have called restructuring. As an economic journalist, however, I know you somewhat better and I know that this is not true. However, all people are not informed to the same degree and moreover many of them rapidly forget. Therefore perhaps the rector of your school Prof. V. Silhan will have to stand up for you. He called this "labelling" nonsense and stated that you yourself criticized the halfway nature of the past restructuring at a time when it was officially put into operation and when others kept humbly silent. Nonetheless, I would like to know whether you feel like the only one here opposing the current reforms and how do you evaluate the various personal attacks against you?

[Matejka] Unfair people have used the method of getting rid of material opponents by casting doubts about them personally since time immemorial. It is a dangerous weapon and, unfortunately, often an effective one. I therefore greatly prize the public support from our rector. Attacks directed below the belt are, however, a two-edged sword and can lead to disqualification of the attacker. Because I was one of the first critics of the reform concept that was approved, it was possible to take aim at me. Today it is much more complicated. Anyone who reads, say, HOSPODARSKE NOVINY knows that there is now a number of critics from various scientific institutes and some of them use much sharper expressions than I do. For example, J. Sejak and P. Soukup from the CSAV [Czechoslovak Academy of Sciences] Economics Institute characterize the reform as "the road to hell" about which decisions were made in an "autocratic" manner. I am all the more surprised with everything that has been used against me. I repeatedly hear, for example, that I should not meddle with the economy since I studied statistics. Pavel Kysilka in LIDOVE NOVINY, where he directly lavished blows below the belt, said that he, an educated economist, also does not meddle in statistics since that is a long way from his speciality. I must therefore point out to him that today in the industrialized countries of the world an education in statistics is a given for economists. And I send the message to all those hundreds of graduates of the department of economic statistics who are successfully working in various jobs in economic practice and in research, "Do not hide your statistics education." For me personally, in my contacts with foreign colleagues mentioning my statistics education always only helped me to gain their respect. I am, of course, aware that they do not have to agree with me and certainly some serious people do not agree. This is possibly because they are looking at partial changes in my earlier positions in the sense of moderating the radicalism. I admit that this is the case. And it is to a certain degree paradoxical that my long stay in the United States, mainly at the Kennedy School of Government which is part of Harvard University, contributed to this.

[Hejkal] That does sound truly paradoxical since, as you have stated, radical economic reform came from harvard itself. What was the specific reason for modifying your previous radicalism?

[Matejka] First of all, you cannot equate Sachs with the Harvard economists. Harvard is a large university and at its schools you encounter the entire spectrum of economic views. Even here Sachs does not belong to the mainstream. From an analysis of the actual American economic policies with which I became familiar in the course for senior governmental managers, I fully explained the complexities of problems with regulation and deregulation of the economy. The Americans themselves, as far as they allow deregulation, resolve the problems in relation to the actual material conditions and over a long timeframe. At the Kennedy school we studied a number of case of deregulation and tried to understand the risks of hasty decisions.

A stay at prestigious American universities makes it possible for one to get a good overview not only of the American economy, but also of the economies of other countries. Experts from throughout the world work also work at these universities for short or longer periods of time. I got some very interesting information from, for example, Professor Mehra, who is of Indian origin, during a conference at MIT. He pointed out, among other things, India's success in the field of the electronics industry which was achieved by a suitable import policy. By supporting the importation of components and slowing down the importation of finished products the Indian Government not only provided work to its people, but also contributed to the development of a branch of strategic importance. Today we are proceeding rather in the opposite direction.

Of course, an economist's stay in the United States can also be instructive because the Americans are open and selfcritical and you often encounter analyses of their own weak points in the economic field, especially in confrontations with Japan. And it seems to me that here we now have a tendency to apply as a priority those elements of the American economy which the Americans themselves

count among the reasons for the gradual loss of their earlier positions on the world scale. Let us not repeat the mistakes of others!

[Hejkal] When you mentioned the Kennedy School of Government, it occurred to me to ask why we do not have a similar school here. After all, managing the economy or the entire society at the top, governmental level must indeed be one of the most demanding tasks in the field of management. What basic information did you bring away from this school?

[Matejka] There was a lot of information. However, what stuck most in my mind was the principles of "making policy," including economic policy. It was repeatedly emphasized that in formulating political goals it is necessary to take into consideration the interests and the reactions of all the parties involved. In formulating governmental policy it is necessary to take regard for not only Congress (the parliament), but also the unions, the environmental protectionists, and a number of other interest groups.

[Hejkal] However, lately I have heard here that economic reform is a matter for the government and that nobody should waste time distracting the government with any objections...

[Matejka] I consider this viewpoint to be incorrect. In those countries where the government worked out long-term economic programs—like Japan, the Scandinavian countries, and other countries—creation of the program was worked on not only by the employees of the government but also by experts in economic practices, important workers in the scientific sphere, trade union representatives, and others. This overcame a one-sided viewpoint and created fertile soil for the acceptance of the programs by the entire society, which is very important for successful implementation of them.

[Hejkal] Do you feel that the concept of our economic reform has already been decided upon?

[Matejka] Time will tell. In the meantime, the basic elements of the reform have been clearly laid out: a transition all at once to a liberal market economy starting 1 January 1991 while applying a restrictive macroeconomic policy and rapid privatization. Today, 16 July, I read in HOSPODARSKE NOVINY that "our approach should be influenced by experience from Poland where the restrictive monetary and fiscal policies lead to a drop in production to about two-thirds and to a great deal of unemployment." This is the position of the vice president of the CSFR Government, Eng. V. Vales, who at the same time stated that we are also learning from the latest experiences of the GDR. I consider this to be very wise and hopeful.

New, Old Agricultural, Foodstuffs Prices Compared

90CH0267E Prague ZEMEDELSKE NOVINY in Czech 3 Jul 90 p 5

[Article by Eng. Ivan Hojovec, Federal Pricing Office: "Adjustments to Bulk Purchase Prices of Agricultural and Foodstuffs Products"]

[Text] Effective 9 July of this year, new retail prices for foodstuffs will be in effect. They are computed on the basis of wholesale prices which include bulk purchase prices for agricultural products which are paid to agricultural enterprises, processing costs, and food industry profits. Retail prices for food, thus, no longer contain the negative income tax which strongly deformed the economic substance of retail prices.

The negative income tax came into being through historic development. Over long years, food retail prices remained unchanged; however, bulk purchase prices paid for agricultural products and wholesale prices for foodstuffs were developing independently. The difference between these retail prices, lowered by the volume of the business span, and wholesale prices for food was being covered precisely by the above-mentioned negative income tax.

The undervalued retail prices of individual foodstuffs then provided erroneous information which, understandably, had an influence upon the conduct of the consumer, upon his demands for individual products. Products which were produced at high social costs were sold for prices which were expressly lower and the extent of the negative income tax for individual products was variable. Old traditional products, which were not innovated and were sold over entire decades without a change in their retail prices, were specifically subsidized. Smaller subsidies were incorporated in more modern products, whose retail prices did not reflect the negative income tax at the same rate as was the case with older products. At the old level of retail prices, it was worthwhile to purchase, for example, bread or milk to feed agricultural animals or to utilize infant milk powder, produced from the highest quality more expensive raw milk at high costs, even for other purposes than for those for which it was intended.

Increases in the retail prices of food do not pursue the fiscal interests of the state budget. The sum which was previously set aside for the negative income tax is recomputed for individual inhabitants and each citizen will receive it in the form of a compensational surcharge of Kcs140 per month.

At the beginning of the work involved in adjusting retail prices, consideration was also given to the future capability of individual agricultural and food products to prevail in the market at higher retail prices. Retail prices for foods produced from milk and beef, which are based on current bulk purchase prices for agricultural products, would be so high that the consumer demand for them

would decline expressly. According to calculations made on the basis of the demand model, consumption of beef would drop by about 46 percent and that of dairy products by 10-20 percent.

Understandably, this would have immense consequences in agricultural production which, in view of the long-term production cycle, is not capable of adapting to substantially lower demand from the operational standpoint. For these reasons, but also with an eye toward the consumer and toward the need to introduce in our retail prices considerations which are similar to those in neighboring developed countries which have similar consumer habits, the Czech and Slovak Federative Republic Government decided to lower bulk purchase prices for agricultural products, particularly for cattle products, by the amount of the negative income tax (approximately Kcs8 billion). Given this solution, it is anticipated that the consumption of beef will decline by approximately 16 percent and that of dairy products by approximately 10-20 percent. However, this measure will have no immediate impact on the economics of agricultural enterprises because the amounts by which bulk purchase prices were decreased will be paid in full (even with respect to individual products) to producers in the form of supplemental payments at the time bulk purchase prices are paid. Even so, the increases in the retail prices of milk and milk products and beef are exceptionally high, something which will obviously be reflected in a certain decline in demand for these products, as well as in sales difficulties. On the other hand, however, it can be anticipated that demand will increase for relatively less expensive pork and broiler chickens, production of which is advantageous to agricultural enterprises.

With respect to the above-mentioned adjustments of prices for agricultural products, the Federal Pricing Office, the Ministry of Finance Price and Wage Office for the Czech Republic, and the Ministry of Finance Price and Wage Office for the Slovak Republic have issued a joint decision, No. 012/90, dated 29 June 1990, on modifications of the bulk purchase price list for agricultural products. This decision, however, not only solves the previously described problems, but gives equal rights to other suppliers of agricultural products, that is to say, to private producers. Supplemental payments to bulk purchase prices will continue to be paid to all producers (insofar as other provisions do not apply to individual components), in other words, also to citizens who sell these products.

The system for paying these supplemental payments to large agricultural enterprises has been solved. The method by which supplemental payments to bulk purchase prices will be paid to other producers will be the subject of special directives by the ministries of agriculture and food. It is anticipated that these supplemental payments will be paid to private producers by bulk purchase organizations. However, some agricultural products remain for which supplemental payments will go only to agricultural enterprises. These are particularly such products as fruit and vegetables. In this case, it is assumed that private producers have the opportunity to sell directly to the consumer at more advantageous prices, for example, they have the opportunity to sell at retail prices that are as much as 50-percent higher—in accordance with the decision of the appropriate okres national committee—than are the prices in stores. Moreover, these producers do not pay the 50-percent wage tax as do the agricultural enterprises.

The above-cited decision, however, also solves some other problems, which will be mentioned in the subsequent portion of this commentary.

Now, let us look at the bulk purchase prices and the supplemental payments which will be effective as of 9 July 1990.

Bulk Purchase Prices for Slaughter Calves per Kilogram of Net Weight in Korunas

		Bulk Purchase Price		
Type of Product	**Quality Class**	**Old**	**New**	**Bulk Purchase Price Supplement**
Slaughter calves (bulls)				
Slaughter calves (heifers)				
	A	30.00	27.50	2.50
	B	27.00	24.50	2.50
	C	18.00	15.50	2.50
Fattened calves (milk-fed)				
	A	40.20	35.20	5.00
	B	31.50	26.50	5.00
	C	23.00	18.00	5.00

Bulk Purchase Prices for Slaughter Cattle per Kilogram of Net Weight in Korunas

		Bulk Purchase Price		
Type of Product	**Quality Class**	**Old**	**New**	**Bulk Purchase Price Supplement**
Slaughter bulls				
	A	32.50	28.00	4.40
	B	28.50	24.00	4.40
	C	24.50	20.00	4.40
Slaughter oxen				
Slaughter heifers				
	A	32.50	28.00	4.40

Bulk Purchase Prices for Slaughter Cattle per Kilogram (Continued) of Net Weight in Korunas

		Bulk Purchase Price		
	B	28.50	24.00	4.40
	C	24.50	20.00	4.40
	T	29.50	25.00	4.40
Slaughter cows				
	A	26.00	21.80	4.40
	B	23.50	19.00	4.40
	C	20.50	16.00	4.40
	T	24.50	20.50	4.40

NOTE: In proportion to the new purchase prices and supplements to purchase prices for live slaughter cattle, the price decision also sets new purchase prices and supplements applicable in converting these animals into money in the form of meat. Bonuses for delivering slaughter bulls and oxen of a higher body weight remain unchanged.

Bulk purchase prices for raw cow's milk per 1,000 liters (in Kcs), in quality class I:

- In the summer season, from 1 May through 31 October—Kcs3,635.
- In the winter season, from 1 November through 30 April—Kcs3,985.
- Deduction or supplement for higher or lower percentage of fat (compared to the basic 3.6 percent)—Kcs653.

Bulk purchase prices for select milk:

- in the summer season, from 1 May through 31 October—Kcs3,935;
- in the winter season, from 1 November through 30 April—Kcs 4,285.

Supplements payable on top of bulk purchase prices for raw cow's milk delivered in quality class I, II, and III, including select milk, are as follows:

- In the winter season—Kcs950 per 1,000 liters.
- In the summer season—Kcs650 per 1,000 liters.

Another important measure is the decontrol of prices for slaughter sheep and slaughter lambs. The bulk purchase prices for these slaughter animals, which were hitherto listed in the price list of bulk purchase prices for agricultural products, are rescinded and henceforth these products are included in the listing of contract prices. This solution was selected because supply exceeds demand. In setting retail prices for mutton on the basis of present-day (stipulated) bulk purchase prices for sheep and lambs, these products would be extraordinarily expensive in the market and would be unsalable.

It can therefore be anticipated that the contract bulk purchase price for slaughter sheep and slaughter lambs, which will be governed purely by market principles, will decline compared to present levels. To mitigate the impact on the economies of producers, however, a supplement to the bulk purchase price is introduced at the following levels:

A supplemental payment to the bulk purchase price for slaughter lambs undergoing intensive or semi-intensive fattening, shall be as follows:

- In purchasing live animals—Kcs15 per kilogram of net weight.
- In purchasing meat—Kcs33.70 per kilogram of meat.

A supplemental payment to the bulk purchase price of slaughter sheep, slaughter rams, and slaughter wethers shall be as follows:

- In purchasing live animals—Kcs3 per kilogram of net weight.
- In purchasing meat—Kcs6.70 per kilogram of meat.

Stipulated bulk purchase prices for sheep-milk cheese and wool continue in effect.

Similarly, the bulk purchase prices for slaughter horses and slaughter foals are decontrolled.

Lowered bulk purchase prices are applicable even for some kinds of slaughter poultry, particularly because in neighboring developed countries poultry is the cheapest type of meat in view of its low production costs. Even here, however, the difference between the present bulk purchase price and the price which becomes effective on 9 July 1990 is covered by a supplemental payment. The types of poultry to which these provisions apply are listed below:

		Bulk Purchase Price		
Type of Product	Quality Class	Old	New	Bulk Purchase Price Supplement
Slaughter chickens				
	I	18.50	16.50	2.00
	II	15.00	13.00	2.00
Broiler turkey hens*				
	I	26.00	23.00	4.00
	II	15.00	15.00	4.00
Other turkeys				
	I	25.00	22.00	3.00
	II	18.00	15.00	3.00

*The supplemental payment includes the supplement of Kcs1 per kilogram that has been paid thus far.

The decontrol of consumer chicken eggs is also significant. This is a product for which all of the conditions for decontrol have been created. The supply exceeds demand, a competitive environment exists in the

market, more producers are engaged in this production, and the private sector plays a significant role in this, accounting for approximately 50 percent of overall production. The economics of production are favorable even for large agricultural enterprises, including joint agricultural enterprises, so that an increase in the price level could not occur. Understandably, this does not exclude certain movement of prices in individual seasons of the year according to the situation in the market (supply and demand) in either direction.

Together with all of these measures, contractual prices will also include meat (including secondary meat products) resulting from the conversion, by brokers, of animals excluded from bulk buying and animals resulting from forced slaughter into money.

Products which have been included in contract prices have not only a contractual purchase price, but also contractual wholesale and retail prices. In other words, in all price areas the sole regulating factor in these cases will be the market.

The above-described measures are the first major step on the part of the agricultural-foodstuffs complex to the new economic conditions. Undoubtedly, this step will be of importance in the entire economic activity of Czechoslovak agriculture. It will now be up to the agricultural enterprises to come to terms with these conditions, to see how they are able to reorient their production programs to the new conditions, what marketing methods they will choose so as to market their products without losses.

HUNGARY

Plans for International Transit Airport

90CH0264B Budapest OTLET in Hungarian 10 May 90 p 10

[Unattributed article: "Nagykallo Airport"]

[Text] Plans are being made for the construction of an intercontinental airport near the town of Nagykallo, in the county of Szabolcs-Szatmar-Bereg. The project would cost $400-600 million and would involve capital from Israel. Representatives from that country have already negotiated with Hungarian governmental agencies and local parliamentary deputies, and issued an announcement about the concept. According to the council in Nagykallo, after the May negotiations end, work can start on completing the plans and construction can begin within six months.

Sandor Kalnoki Kis, deputy minister of transport, communication and construction, said that the Ministry has been entertaining the idea of an international transit airport for more than a year. Such a facility could take the load off the Frankfurt airport. Since the agreement to evacuate Soviet troops from Hungary was just signed, earlier talks about this plan were probably thwarted because of certain military considerations.

As the deputy minister said, the plan of the Nagykallo council is not unrealistic; however, when it comes to such a large-scale project, consulting with the government is inevitable.

Swedish Shipping Company To Save Budapest Shipyard From Bankruptcy

90CH0264A Budapest OTLET in Hungarian 10 May 90 p 20

[Article by P. B.: "Life Preserver to the Drowning Firm"]

[Text] The caveman scooped out a suitable tree trunk and placed it in the river.... That was how the manufacturing of ships began. Later, they used refined wood, tree bark and animal skins to make oar-driven boats in which they braved even the offshore parts of the sea. In 3000 BC, Egyptians built ships with twenty oars and sails.

All in all, modern shipbuilding is a relatively late phenomenon; after all, Fulton's wheeled steamer was only made in the past century. Since that time, shipbuilding has rapidly become more modern, all the way to the manufacturing of nuclear driven vessels.

Reform-period [1823-48] Hungary was among the first countries in the world to build steamships. The Obuda Shipyard was founded in 1835 by the Austrian firm Association for Danube Steam Shipping. Much has happened since [the reformer-politician Count Istvan] Szechenyi issued his call "To the sea, Hungarians!" [in the 1840's]. Although we have not had a sea for a long time, the building of maritime vessels has not stopped. After 1945, the "island shipyard" manufactured smaller rivergoing and seagoing vessels, launches, barges and tugs, as well as boilers, iron containers and steel structures.

Similarly to most of the other Hungarian industrial plants, the Obuda Shipyard, which at one time employed 3,000 workers, found itself in a deepening crisis. Nowadays, we can talk about the fate and employment opportunities of only about 1,000 employees at the historical factory. By reducing, and finally eliminating its import of ships, the largest buyer, the Soviet Union, struck the final blow to the firm. Compared to 98 percent last year, this year only 62 percent of sales income originated in the Soviet Union. In other words, a change of marketing profile became an urgent necessity.

Thus, the Swedish offer announced at least week's press conference, could be seen as a life preserver thrown to the "sinking" shipyard.

Based on previous negotiations, Mats Johanson, the proprietor-manager of the Swedish firm Jimm Shipping AB, referred to orders in excess of 100 million dollars. He added that before 1995 they intend to order 31 seagoing vessels suitable for offshore shipping from Obuda. They thoroughly studied the technological state of the factory and found it suitable for development. The Swedish manager also mentioned that the professional

preparation of the Obuda workers was found to be very good. Beyond the large orders, the Swedish firm would also be willing to participate in the founding of a multinational enterprise.

The Swedish firm plans to put about 25 million dollars into the development of the shipyard. In addition, it would undertake the auxiliary investments that might be necessary annually. Mats Johansson stressed that he would like to avoid even the appearance of buying up Hungary's national wealth at a cut-rate price, so he would have an independent firm determining the shipyard's value. Based on that, the National Property Agency would announce the actual price.

According to plans, 60 percent of the plant would end up in Swedish hands. However, the Swedes would achieve this not by purchasing the present stocks, but by contributing their own capital. They feel that the investment would pay off, because there is a reviving global interest in offshore shipping.

Andras Fay, managing director of the Obuda Shipyard, reported at the press conference that, in addition to what was said above, the Swedish order creates opportunities for getting more Western orders, with conditions that are much more favorable than those from Eastern Europe: While the Soviet Union, in accordance with bilateral governmental agreements purchased the ships at a set price and paid only after each vessel was delivered, in the future the ships will be sold at the world market prices. In addition, partial payments will be made for partial deliveries, thus the supplying industries will not have to work for credit.

It is still to be seen what the president and chief executive officer of the shipyard, Adam Angyal (who recently talked about entirely different plans), has to say about this; or if the entire deal will be torpedoed by the mother firm, the Ganz Danubius, which holds most of the Obuda Shipyard's stocks?

POLAND

Rise in Trade With Austria Noted

90EP0768A Warsaw RYNKI ZAGRANICZNE in Polish No 62, 5 Jul 90 p 1

[Article by Joachim Konieczny: "Good Traditions Bear Fruit"]

[Text] In seeking an example of successfully developing economic cooperation Western partners, Austria has usually been pointed to for several years. Traditional ties, appropriate transportation, and complementary economies in connection with the commercial efficiency and financial flexibility of Austrian firms assure that great country the position of our third biggest Western trade partner, with nearly a five percent share in total sales.

Trade with Austria is growing more stable than with other Western countries and last year grew by 16 percent to 1.1 billion dollars. So-called transit trade (purchases in Austria of goods originating in other countries) also has a significant share in sales, reaching 25 percent of our imports. This was also the main reason for our longstanding trade deficit which reached $200 million last year. This year there looks to be a significant improvement in this situation because, after four months, with sales totalling $280 million, the exchange was practically equal. The structure of trade is also improving gradually, although our deliveries coal, power, chemicals, and food products continue to dominate, while we are buying mainly machines and tools. Also favoring the growth of our exports and an improvement in its goods structure is the award to Poland of general tariff preferences (GSP) since the beginning of the year. For the majority of goods the GATT rate has been reduced by 50 percent, although the preferences included only certain agricultural and food articles.

Testifying to openness of new forms of cooperation is the fact that these Austrian firms were the first to establish joint ventures and negotiate leasing transactions in our country. Currently in operation are 80 joint ventures in which 8 million dollars have been invested. The interest of the Austrian firms centers on hotel management, food storage, food and paper products, and in the field of material and energy conservation technologies. This form of cooperation won additional support in the special fund for promoting investment in East European countries established in May of this year.

In addition, the Austrian authorities have pledged participation in economic assistance for Poland, both within the OECD [Organization for Economic Cooperation and Development] and bilaterally. Earlier announcements of food assistance have recently been increased from 22 to 40 million shillings. Assistance to agriculture in the form of machine deliveries has been set at 8.5 million shillings, while the fund for manager training totals 20 million shillings. Unmeasurable, but no less important, is Austria's support of our efforts toward closer cooperation with the EFTA [European Free Trade Association].

But weighing on Polish-Austrian economic cooperation is past ballast in the form of our debt. After West Germany and France, Austria is our third largest Western creditor. Our obligations total 3.3 billion dollars, 80 percent of which is covered by government guarantees. Austria is demonstrating more readiness than other countries to meet Polish requirements halfway, an example of which might be the agreement on restructuring of Polish debt reached last year. There are also exploratory discussions on exchanging debt for capital investments. Capital cooperation gained lasting foundations after the signing of an agreement on support and mutual protection of investments in 1988.

In addition to financial matters, we are interested in contractual regulation of exports of our construction

services. The same applies to the already discussed transportation-system project to regulate transit conditions jointly. Admittedly, during the current official visit of Austrian Chancellor Franz Vranitzky to Poland, no signing of agreements is expected; but these will certainly be a subject for discussion, especially since a several hours' long roundtable debate on economic topics is planned during the visit.

Torun Seeks Restructuring Advice From Swedish Consulting Firm

90EP0792B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jul 90 p 2

[Article by K.B.: "Torun Relies on Swedes"]

[Text] (A) It is no secret that so far as restructuring policies are concerned we can rely on few good indigenous examples. In precisely this domain foreign assistance should and can be utilized. This was done by the authorities of Torun Voivodship, who are preparing with the assistance of Swedish consulting firms a program for restructuring and developing the regional economy.

The results of the preparatory work so far done on the Torun restructuring initiative were communicated to Minister Witold Trzeciakowski during a special conference on 29 June. That planning provides for spurring tourism and modernizing the local lumber, machinery, electrical engineering, and printing plants. The final, specific plan will be ready within six to eight months.

Finance Ministry Notes Enterprises Not Paying Taxes

90EP0792D Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jul 90 p 1

[Article by Krzysztof Bien: "Fewer Debtors, Greater Arrears: Who Are Not Paying Their Taxes"]

[Text] Last May, as indicated in the latest analysis by the Ministry of Finance, the number of Treasury debtors has declined. However, the arrears on the part of the enterprises remiss in paying one or more of the four basic taxes—income, turnover, wage-increase, or wage—have been on the whole much higher than for the preceding month.

The blacklist of the Ministry of Finance for the last three months looks as follows:

	March	April	May
Number of Enterprises	2,776	3,173	2,919
Arrears, in billions of zlotys	2,895.3	2,670.2	4,010.9
Arrears owed to central budget	2,631.0	2,535.2	3,688.5
Arrears owed to regional budgets	264.3	317.0	322.4

For precision let us add that of the 2,919 enterprises which for the time being are in tax arrears, 908 owe the Central Budget and 2,011 the regional budgets. The number of the former is steadily declining.

The analysis by the Ministry of Finance indicates that about every seventh tax debtor (to be exact, 419 enterprises) has been in arrears for at least three months. This list includes: one anthracite coal mine ("Ziemowit" in Tychy); several mining equipment plants (FUGO [expansion unknown] in Konin, Fasing, Pioma in Piotrkow); steelplants (Warsaw, Malapanew, Zabrze, and the aluminum plant in Konin); power equipment plants (Zamech, Rafako); the Lenin Shipyard; Pafawag [Railroad Rolling Stock Plant]; and a large number of machine tool factories (Ponar-Wielofama, Hydromat, Mechanics in Pruszkow, Ponar-Warka, Ponar-Wroclaw, Poreba, Ponar-Remo).

The list of notorious debtors also includes: many electronic equipment plants (among others Mera-Blonie, Kasprzak Plants, the Lodz Fonica); Polish Optics Plants; many automotive and aviation equipment plants (FSC [Truck Factory], FSO [Passenger Car Factory], PZL [Aviation Equipment Plant] in Gorzyce, PZL in Okecie); and transportation equipment plants in Mielec and Rzeszow. The list issued by the Ministry of Finance moreover includes many chemical plants (among others, the Torun Elana and Stomil [tire] Plants in Debica, Karkow, Sanok, an Lodz), along with a large number of light and textile industry plants, glass plants, and papermaking plants.

It is interesting to compare this list of debtors with "transgressions" of another kind. The minister of environmental protection, natural resources, and forestry has prepared a list of the 80 enterprises most harmful to environmental protection, and 10 of these also have been in tax arrears for the last three months: they are, among others, the Ziemowit Anthracite Coal Mine; the Konin Aluminum Plant; the Lublin Automobile Plant; the Rzeszow Polan; the Chorzow Nitrogen Works; the Organika Chemical Plants in Bydgoszcz; and the Chemical Fibers Plants in Sochaczew and Wroclaw.

According to a report from the National Bank of Poland, as of 31 May 1990 the number of noncreditworthy in this country totaled 135; of these, 20 also are in tax arrears. They include: the Brzeg Bewag; the Kasprzak Radio Plants in Warsaw; the Wolana and Tomiex Wool Industry Plants; the Makow Mazowiecki Zremb; and the Polsport Ski Factory.

Foreign Trade Enterprise 'Metronex' on Stages of Privatization

90EP0792C Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jul 90 p 1

[Article by Andrzej Zielinski: "Privatization at 'Metronex'—A Prolonged Process"]

[Text] On the eve of the widespread privatization of enterprises many of them already are initiating this

conversion on their own. This drive is led chiefly by the foreign trade agencies and enterprises. The growing break up of monopolies in this domain of the economy is causing the traditional style of work of these organizations to change rapidly.

It would be easiest, of course, to break up these organizations. But that would be throwing out the baby with the bathwater. Not every manufacturer can afford to operate his own trading office and has access to sales and supply markets. Even now there has arisen the highly publicized danger of internecine Polish competition on foreign markets which causes the Polish economy more loss than gain. The companies which start from zero also often are not credible partners for foreign companies.

Hence, the privatization of foreign trade enterprises requires a dispassionate approach and cool-headed cost-effective calculations.

Privatization, yes, but what kind? I explored an answer to this question at the Metronex Foreign Trade Enterprise, Limited.

There, another approach to privatization has already been adopted. Initially the privatization of the enterprise was scheduled for April 19. But a couple of days prior to that date the Sejm passed legislation requiring the prior consent of [the newly established] Antimonopoly Office. Accordingly, Metronex has been corresponding with that office for some time and now a different approach to privatization at that company can be spoken of.

The first stage is the conversion of Metronex from a company with limited responsibility to a joint-stock company. The shares of the existing partners would be converted to first-issue stock. The second-issue, so-called B stock, would be released for normal circulation on the market and could be purchased by anyone, both Metronex employees and the average buyer. The company has not provided for employee stock ownership, and neither does it expect to grant rebates to those of its employees who want to purchase stock in it.

Andrzej Ziaja, director general of the Metronex Foreign Trade Enterprise, Limited, declared, "We decided that the primary share in developing our company belongs to the State Treasury, followed by the entire society, including persons who are not at present employees of Metronex. There is no point to awarding rebates to anyone for the mere fact of his or her being presently employed by our company. The most equitable solution would be to release all shares for sale on the market. Then no one would accuse us of giving preferential treatment to anyone. All buyers would have an equal opportunity.

"It will also be important to us to distribute our shares chiefly among private buyers. Were our partners and customers to buy up all the available shares, we would be dealing with a nomenklatura company."

Altogether, it will take five to six years to complete the operation to privatize Metronex. This is the estimate given by Director A. Ziaja. He argues that, first, there is no securities market in Poland, and besides Medicat stock and Treasury bonds have just begun to be offered for sale. The public still is uncertain as to where to invest its savings other than, in this order, in dollars, gold, land, the PKO [Polish Savings Bank], shares and bonds, and in the end, the proverbial mattress. Therefore, shares can be marketed only after extensive education of the society.

Second, there still is no secondary circulation of shares, that is, there are no securities markets. After all, shares are not supposed to be yet another proverbial mattress but a subject of the market game.

Third, the issuance of shares must be concurrent with a period of the influx of funds to the public (e.g., the period of payment of awards from profits, etc.). Then a rapid sale of the entire stock issue can be assured.

Haste would only make waste in this case. Hence, Metronex wants to approach privatization in a solid and responsible manner and, although it will start to privatize itself soon now, this will be a prolonged process.

Promised Mining Subsidies Not Forthcoming; Absenteeism Increases

90EP0793A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jul 90 p 2

[Article by Barbara Cieszewska: "The Miners Are on Their Own"]

[Text] To be sure, the rules of the game have already been fixed for mining, subsidies distributed, and extraction limits, or rather limits on the sale of subsidized coal, assigned to 40 of the mines, but all this does not mean that peace has descended on mining; on the contrary. Economists at present reckon subsidies in terms of extraction size, and, e.g., the director of the Piast Mine (a new one, selected as a result of a competition) found that achieving the adopted parameters, chiefly as regards costs, would require reducing them in half, which in his opinion was absurd. Besides, Piast is the best example of unnecessary haste in promoting conservation. It was the first mine to do this, and it used up its reserves in order to attain the lowest extraction cost of all the mines and now it is paying for it by receiving a smaller subsidy. Yet Minister Syryjczyk had predicted, also on television, that mines reducing their costs maximally would receive a 100-percent subsidy offsetting the already reduced costs. The mine personnel remember his words and resent the failure to keep them.

Nearly all the mines are in an extremely difficult situation, even those of the first 30 [on which no extraction limits have been imposed]. They all are supposed to cut their costs by 30 percent, but miners claim that this is infeasible. They all owe the banks many billions of zlotys. Wieczorek Mine, the 26th on the list, owes 15

billion [zlotys]. On June 30 it still had the funds to pay the salaries of its administrative personnel, but it had to take out a short-term loan in order to pay its its miners on 15 July. To be sure, it extracts as much as it should—2,500 tons of good coal, much of it for export, daily, but it has problems with wagons because, after the recent strikes, the mine rail system somehow cannot get back into smooth gear. Compared with the other mines, this mine is in a chancy situation: although a subsidy of 50,000 zlotys is received for each metric ton of coal extracted, the stope miners are quitting, on their own, most recently 200 had resigned, although they are the most needed personnel at the mine. Are they irritated with the uncertain future? The mine director declared that he is ready to hire at once 200 stope miners.

At Piast, on the other hand, absenteeism due to illness soared to as much as 13 percent, whereas normally it amounts to six percent. On closer analysis the management concluded that the mine personnel are probably exploring other job possibilities. But that is only a surmise. The mine faces a simply huge problem of water desalination. Three mines, Ziemowit, Czeczot, and precisely Piast, have already completely salinated the Vistula River at Krakow, and soon the river's salination will spread to the environs of Warsaw. The cost of desalinating equipment for these three mines reaches the astronomical sum of 18.5 billion zlotys. What is to be done in such a situation? Unless the mines cope with that unfortunate salt, they will soon be dealt a mortal blow with fines for environmental pollution. Thus they are trying to save themselves. With the aid of scientists from the Main Institute of Mining they will attempt to pump the salinated waters from the 650-meter level into greater depths. If this maneuver fails, it will be necessary to take the dramatic decision that is at present being mentioned in a whisper, but let us state it loudly: the entire 650-meter level will have to be flooded. This means reducing extraction by 40 percent and dismissing about 5,000 employees, that is, one-half of the work force. Everyone hopes that this will not have to be resorted to, because, after all, Piast is Poland's largest and modern mine with the lowest extraction costs, which extracts quality coal with a sulfur content of not more than 0.8 to one percent, that meets Western criteria. It must be realized, however, the mine director said, that if there is no other possibility of curtailing environmental contamination by salinated waters, there will be no other way out. And if by chance that 18.5 billion zlotys is found (recently World Bank credit has been mentioned), this problem also will be a huge one, because then a humongous salt "mine" will have to be built next to Piast in order to process 4 million metric tons of salt annually! (Piast extracts 7 million metric tons of coal annually.) All this does not inspire optimism, but fortunately miners do not panic easily. They are trying to save themselves with the means at their disposal, limited as these means are.

Liquidation Threatens Walbrzych Mines Despite Cost Reductions

90EP0793B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Jul 90 p 1

[Article by Adam Turula: "The Collapse of Walbrzych Mines: The Bank Grips Them by the Throat"]

[Text] On 3 July 1990 the Walbrzych mines Thorez, Wiktoria, Walbrzych, and Nowa Ruda received from the Walbrzych Branch of Bank Zachodni a notice of suspension of all credit as of 1 August 1990. On that date the forced execution of payments of debt arrears will commence. The granting of new credit will then also be suspended; such credit can be unblocked only if supported with guarantees from the Ministry of Industry upon the approval of the minister of finance.

Solidarity reacted immediately. The Chairman of the Mining Commission of NSZZ [Independent Self-Governing Trade Union] Solidarity in Walbrzych Region Krzysztof Betka wrote the following letter to Premier Tadeusz Mazowiecki after a meeting of representatives of the threatened mines:

"It is high time for the government to approach the Walbrzych problem honestly, conscientiously, and competently. Otherwise, NSZZ Solidarity will not accept the burden of responsibility for the social unrest ensuing from this problem and, on the contrary, will register a resolute public protest against the frivolity and incompetence of the government it is supporting."

The trade unionists are demanding the speedy arrival of competent representatives of the government in order to determine jointly with them the manner and timetable for the liquidation of the mines, because such decisions cannot be taken in the absence of participation by the persons directly concerned.

Disorientation and shock also reign at the mines.

"I hope that the existing situation will enable us to finally force the minister of finance and minister of industry to approve the subsidies," said Stanislawa Fret, chief accountant at the Walbrzych Anthracite Coal Mine. "For the last six months I have not been provided with any written rules for pursuing the mine's financial policy. I am unaware just how Bank Zachodni assessed our creditworthiness considering that we ourselves cannot determine it precisely owing to the vague position taken by the ministry. We still do not know when will we receive the expected subsidies and how large they will be. What money we are getting at all is coming in very tardily. This forces us to borrow money, and the loan interest we must pay raises the price of coal, even though we are reducing its extraction cost."

A particularly difficult situation reigns at the Wiktoria Anthracite Coal Mine, where the mine budget is burdened with the investment credit guaranteed by the Ministry of Industry for building the Kopernik Extraction and Processing Complex. This year the project has

been suspended because it is a central investment, and the credit received so far, amounting to 26 billion zlotys plus interest, was debited to the mine as the replacement investor. By year end that amount may increase to a total of 29 billion zlotys. The arrears in payments for the already ordered mine machinery, equipment, and blueprints total about 12 billion zlotys. In such a situation, efforts to reduce the coal price are Sisyphean labor, even though the extraction cost per metric ton of coal has dropped to about 500,000 zlotys in June from 685,000 zlotys in March.

Such a substantial reduction in extraction costs could be achieved by reorganizing the enterprise. The technological line for processing coal from the stope to the railcar was isolated as an entity, which made it possible to determine the precise costs. The mine's auxiliary and construction services as well as workshops, lumber yard, carpentry shop, etc. will have to be financially autonomous.

Miroslaw Wozniakowski, director of the Budget and Finance Department at the Ministry of Industry, stated that the accusation that the ministry has failed to inform the mines about the size of this year's subsidies is unwarranted. The actual amount has been reported verbally and noted by all the mine directors present at the meeting. In the next few days the mines should receive a corresponding notice. Likewise, in the very near future Director Wozniakowski intends to ask Bank Zachodni to provide the mines with a line of credit guaranteed by the Ministry.

Petroleum Products Center To Undergo Division; Variants Discussed

90EP0793C Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 4 Jul 90 p 1

[Article by Krzysztof Bien: "Competitors Urgently Needed: Breakup of Central Petroleum Products Agency Envisaged"]

[Text] Of the three variants for the emergency reorganization of the domestic fuel supply presented by the minister of industry, the Economic Committee of the Council of Ministers [KERM] opted on 3 July for the one proposing the breakup of the Central Petroleum Products Agency (CPN) into several "vertical" distributing organizations that would be strong enough to compete with both each other and eventual foreign distributors. The meeting of the Economic Committee last Tuesday, which was presided over by Deputy Premier Leszek Balcerowicz, also considered (for the umpteenth time) the problem of telecommunications and the assumptions for creating a capital market in our country.

In the opinion of Minister Tadeusz Syryjczyk, the CPN, which at present holds a monopoly on fuel distribution, is interested in everything except in the encouragement of competition and in the provision of guarantees of continuity of gasoline shipments. That was proved by the supply collapse last May when, for the sake of the workforce (this concerned squeezing out higher profits), gasoline inventories were slashed below the safety level.

Achieving the socially desirable goal can be assured only by competition. Here, the Ministry of Industry perceives three eventualities: the organizational structure of the CPN is left intact, but it will be exposed to strong foreign competition; the CPN is broken up into several organizations, each responsible for "the outlet of a pipeline" from a refinery as well as for part of the gasoline depots and stations (which are being gradually privatized); or, lastly, the 17 CPN district enterprises serving at present as account clearinghouses, will be given their autonomy. This last "vertical" solution is supported by the Solidarity at the CPN.

The first variant was viewed by the Economic Committee of the Council of Ministers as temporarily inapplicable in view of the still low interest of foreign capital in our country, while the third variant was thought monopolistic in a new guise. Ultimately the second variant was chosen, with the proviso that implementing it would require changes in legislation. For it turns out that the provisions of the recently revised law on state enterprises run counter to such a breakup. Similar problems also are being encountered nowadays by plans to break up the power industry. It may be that such problems will be resolved by the decree on the privatization of state enterprises but, as known, in view of its controversial reception in the Sejm, its speedy passage is hardly likely.

For yet another time the Economic Committee considered the assumptions of the state's policy on telecommunications. To be sure, the Committee did take note of the document presented by the Ministry of Communications, but its text will still have to be expanded. This also concerns that ministry's plans regarding the already existing, poorly performing telephone system.

As regards the future telecommunications system (being prepared by Americans), it is in a special stage of development, but signs in heaven and on earth augur that it will not be ready earlier than by the beginning of next year. Yet even now we should have some definite vision of that system. In this connection, many basic questions have to be answered, e.g., the extent of the state's involvement in the related investment projects and the choice of the approach to organizing communications (a centralized system or regional systems).

Only some of the still persisting doubts will be cleared up by the future law on communications (still being worked on in the Sejm). To put it frankly, the Economic Committee discussed this subject for more than two hours without answering many basic questions.

In addition, the KERM considered a position paper drafted by the office of Minister K. Lis concerning the establishment of a capital market for nontreasury securities in this country. In particular, this concerns the assumptions of the draft law on public turnover in

securities. Without such a law, without institutions providing assistance in investing, without protection for share buyers, and lastly without an efficiently operating capital market, the privatization of state enterprises will not be possible.

In this sense the draft documents discussed by the Economic Committee are indispensable supplements to the draft laws being so heatedly debated in the Sejm for many weeks. In view of the importance of the problems of privatization, we shall discuss in separate articles the documents presented at Tuesday's session of the Committee.

Low Effectiveness, Deterioration of Railroads Profiled

90EP0770A Warsaw GAZETA BANKOWA in Polish No 28, 7-14 Jul 90 pp 8-9

[Article by Marek Nowak and Slawomir Lipinski: "A Giant on Rails of Clay"]

[Text] The strike by railroad workers in northern Poland called the public's attention to the problems of the Polish State Railroads (PKP). Until recently, it was said with pride that this is the largest enterprise in Europe, at least as far as employment is concerned (414,000, according to the latest figures) and size of goods hauled (in 1980, 473 million tons; in 1989, 380 million tons). We now know that these are not reasons for boasting; on the contrary, the enormous size of the enterprise is due, in large measure, to its low efficiency. The material compiled by a task force on PKP reform, appointed by the national section of NSZZ [Independent Self-Governing Trade Union] "Solidarity" railroad workers, even shows that labor productivity in railroad crews is scarcely 30 to 40 percent of what is attainable.

Our report on the PKP describes a sick giant and the proposals for changes which are supposed to make him well, as presented by the PKP general management and the "Solidarity" task force.

Possessions

The enterprise is made up of 102 plants of various profiles. PKP operations include not only hauling services, but also a wide range of railroad facilities. Three departments can be delineated in the organizational structure: transport, industry (e.g., rolling stock repair plants), and construction (which also includes the manufacture of various equipment, schooling, and a separate health service).

The most important, of course, is the transport department (employing 343,000 people), whose management structure consists of four levels. At the top is the general management, then eight district managements, followed by railroad hauling regions, the managements of the reloading regions, and, at the very bottom, approximately 2,500 railroad stations and stops.

PKP superintends 24,000 kilometers of railroad lines. Their structure is as follows:

- Trunk lines, 3,218 km (1 percent).
- Primary lines, 7,847 km (33 percent).
- Secondary lines, 8,043 km (33 percent).
- Lines of local importance, 5,253 km (22 percent).

Approximately 80 percent of the so-called hauling work is concentrated on lines in the basic system, which constitute almost half of the network. It has been determined that the state of maintenance of 70 percent of the track in the basic system is satisfactory (continuous-welded rail, heavy-type rail). The remainder give cause for concern, if only because of the degree of wear (some tracks are 50 years old or even older).

PKP also has 35,500 buildings and structures. At least 58 percent of them are more than 80 years old. Seventy percent of the stations and 90 percent of the locomotive and wagon factories were built before 1939.

PKP's traffic control equipment is very inadequate. Of 61,761 switches, only a little over 25,000 are controlled electrically. Only 1,642 km of line (scarcely 8.8 percent of the system) is equipped with an automatic blocking system, and on 35 percent of the lines, train traffic is announced by telephone. Finally, 67 percent of the lines are equipped with automatic braking systems.

The only indicator which can be called satisfactory is the one pertaining to electrification. Electric traction has been installed on 45 percent of the lines, and 80 percent of the haulage is done by this method.

Several years back the railroad workers complained about a shortage of freight cars. Now, because of the drop in haulages, the number available is not a problem, but what there is is in disastrous condition. Over 42 percent of the freight cars have far exceeded their amortization span, and the newer ones (from the construction standpoint), correspond to the standards of the 1950s. There are too few closed cars (approximately 19 percent) and flat cars (17 percent), and there are almost no special cars. This is the present state when, for years, heavy priority was given to freight traffic.

It is no wonder, therefore, that the state of the passenger rolling stock is even worse. There is a definite shortage of cars, especially first-class cars, as well as sleeping cars (there are 362), reclining cars (339), and dining cars (only 20).

It is the same in the case of locomotives. Insofar as those which pull strings of freight cars are concerned, it is not that bad (50 percent of the locomotives are diesels and 40 percent are electric). It is decidedly worse in the case of locomotives for passenger traffic.

The structure of PKP's fixed assets is as follows:

- Buildings and structures, 67 percent.
- Transport means, 27 percent.
- Technical equipment, 6 percent.

No European railroad has such a low share of technical equipment in the structure of its assets.

According to the general management's plans, it is envisaged that in the next few years there will be a growth in the share of outlays for automation of train traffic, computerization of railroads, and improvement in the technical parameters of the tracks, at the expense of a reduction in "heavy" investments (electrification, modernization of sorting stations, and construction of new infrastructure facilities). The basic network system will have priority in outlays. Investments in the supplementary system will be made simply to prevent further deterioration, and the remaining portion of the network (4,500 km in length) is written off as a loss and should be gradually liquidated. As a result, on 60 percent of the line in the basic system, passenger trains will travel at a speed of 100 km per hour and freight trains at 60 km. Furthermore, on the transit-express lines, these speeds will be even higher (120 km for passenger traffic and 70 km for freight). To improve passenger service in the next five years, 900 stations will be repaired and we will soon buy, from abroad, 50 passenger cars conforming to CEMA standards.

Less Than Zero

From the economic standpoint, PKP could have been bankrupt a long time ago. For this year the enterprises costs were planned at 20.5 trillion zlotys, based on drastic savings (e.g., repairs of rolling stock and tracks were reduced 40 percent). Revenues, on the other hand, were estimated at 18.8 trillion zlotys. PKP has been subsidized for years. This year, in addition to a subsidy (in the amount of 1,734 trillion zlotys) to the deficit-producing passenger haulage, for the first time a subsidy was granted (amounting to 2,180 trillion zlotys) to cover 50 percent of the costs of maintaining the infrastructure.

The share of subsidies in PKP operating costs in past years is as follows:

- 1988, 22 percent.
- 1989, 24.2 percent.
- 1990, 19.8 percent.

We will use last year as an example of the costs structure. Costs then were 3,436 billion zlotys, of which:

- Wages and salaries, 936 billion.
- Materials (mainly fuel), 690 billion.
- Energy, 184 billion.
- Repair and conservation services, 818 billion (of which 520 billion zlotys was for contract work).

Railroad transport profits last year totaled 16 percent. For this year, slightly under nine percent was envisaged, taking into account the effects of the recent rise in tariffs. As of 1 June, freight haulage costs went up 25 percent and passenger haulage costs rose 100 percent. This large increase in the price of tickets will not improve PKP's financial situation very much. Anticipated receipts from tickets this year will be 1,744 billion zlotys, i.e., slightly under 10 percent of total sales.

Rail Transport in Poland Compared With Some European Railroads in 1988

Item	Unit of Measure	CSD (Czechoslovakia)	DB (FRG)	DR (GDR)	FS (Italy)	JZ (Yugoslavia)	MAV (Hungary)	PKP (Poland)	SNCF (France)
Operating length of railroad lines	km	13,104	27,284	14,024	16,015	9,349	7,614	26,545	34,563
Total employment	Persons	207,503	251,344	252,881	214,298	153,038	129,038	360,015	213,214
Number of passengers hauled	In thousands	415,366	1,025,851	599,683	410,000	115,726	195,588	923,763	801,062
All load haulages	In thousand tons	295,095	282,250	345,361	63,543	83,570	111,339	428,194	152,024
Train runs (total)	In thousand train-km	258,662	589,909	280,820	322,504	130,020	107,936	411,781	483,460
Train runs (gross wt)	In million gross t/km	179,711	251,764	175,064	118,399	66,308	61,284	316,211	246,918
Labor productivity in terms of gross t/km per employee	In thousand gross t/km	868.2	959.5	692.0	552.8	433.4	475.1	878.4	1,159.2

Rail Transport in Poland Compared With Some European Railroads in 1988 (Continued)

Item	Unit of Measure	CSD (Czechoslovakia)	DB (FRG)	DR (GDR)	FS (Italy)	JZ (Yugoslavia)	MAV (Hungary)	PKP (Poland)	SNCF (France)
Labor productivity in terms of substitute t/km (passenger-km + t/km) per employee	In thousand substitute t/km	429.0	403.0	329.0	299.0	241.0	236.0	484.0	548.0
Load on line in terms of gross t/km per 1 km of line	Million gross t/km	13,714	9,228	12,483	7,387	7,093	8,049	11,912	7,144

Source: International Union of Railways

The constantly deteriorating economic condition of the firm is due, among other things, to the drop in haulages. Let us remember that in 1980 PKP hauled 473 million tons of freight; in 1987 it was 422 million tons; and for this year the plan envisages scarcely 300 million tons, and even this amount is questionable. The amount of passenger haulage is also decreasing, although not in the same degree (in 1987, it was 973 million passengers, while the plan for this year shows 850 million. Let us add that the share of profitable transit hauls is also dropping. In 1980 PKP hauled 17.5 million tons in transit, which at that time constituted 3.5 percent of the total haulage, while in 1989 it was 9.8 million tons (2.6 percent). This is attributed to the activation of ferry service between the GDR and the USSR. PKP is making an effort to recover a stronger position in transit. It is being argued that the east-west transit time is 16 hours (the Kunowice-Brzesc route will be adapted to traffic moving at a speed of 160 km/h); however, transit on the north-south axis takes 20 hours, which, we are assured, is a decent indicator.

The enterprise's poor financial condition affects the wages of its employees. Low pay was the main reason for the railroaders strike. PKP, taking advantage of its position as a monopoly which cannot bankrupt, paid more than the rules of economics allowed anyway. The average wage for 1989 was 186.5 thousand zlotys, but for the fourth quarter of last year alone the tax on above-norm payment of wages was calculated to be 62 billion zlotys. Naturally, PKP did not pay this tax. After the first quarter of this year, the average wage, together with payment of prizes out of profits (which in 1989 were 428 billion zlotys, with subsidies totaling 650 billion zlotys) amounted to 765.7 thousand zlotys. It was calculated that if PKP wanted to keep the wage promises made to the railroad workers in the fall of last year, the cost of wages this year would have to be higher by 440 billion zlotys, and the tax as a result of this would be 2.2 trillion zlotys.

One of the demands made by the strike railroad workers pertained to a reduction in the railroad administration (although it is worth noting that, according the the ministry's information, the ferment and strikes broke out precisely in those places where the administration at the middle levels had been eliminated. We now come to the most important issue—plans to reform the giant.

Where Is This Train Going?

There are a lot of ideas, or rather, proposals for change. A special government representative for PKP reform was appointed recently. Before he presents his ideas, it would be well to acquaint ourselves with the programs which already exist. One of these is "PKP Operations Strategy" prepared by the general management (obviously under the previous leadership). The second is the already mentioned report of the "Solidarity" team, titled "A Concept for Changes in the Econo-Financial System and Organizational Structure of PKP."

The programs, in large measure, agree with each other.

The primary goal of operation of the transformed firm is to be profit, and not, as heretofore, "satisfying the needs of the populace and the national economy" (the April 1989 law). Next, it is proposed that the enterprise itself be able to set hauling tariffs in passenger and freight traffic, which now is the domain of the minister, who establishes tariffs in consultation with the minister of finance.

Various reductions in tariffs are to be bought out by the State Treasury or other interested organizational units. Both programs place emphasis on reduction of administrative expenditures, e.g., by simplifying the almost-feudal structure of PKP management. They also agree that time will be needed to make comprehensive changes, therefore the ultimate solutions will have to be reached by stages.

The "management" draft envisages, first of all, that all of the infrastructure which is of a public-ownership character, will be made separate from other PKP assets. The railroad would be required, as a fiduciary, to maintain

this infrastructure, but on the basis that it would be fully paid for doing so by the real owner, i.e., the state (starting this year, let us recall, the budget is refunding 50 percent of the costs of maintaining it). Such a regulation would make the terms of the operation of the railroads similar to those which are in effect for automotive transport. In the opinion of the authors of the program, this would promote honest competition between both haulers.

The passengers are troubled by the suburban rail traffic (which affects 40 percent of the passenger haulages). According to the draft, this group of services should be purchased from the railroad (ordering a suitable train schedule) by a nonrailroad body acting as the organizer of mass transportation within the confines of a given urban center. We gather that in this case, too, the "purchasing of reductions" by the councils of the individual towns can also be expected.

Splitting up the operations and the related infrastructure maintenance would facilitate changes in organization, eliminate the present divisions into three independent "dukedoms" (transport, industry, construction), and build a uniform administration.

The traffic department would be a three-level structure (general management, district management, and contracting organizations). Large repair facilities are also being planned, including wagon and locomotive shops and repair plants reporting directly to the general management. The management's plan, as we already mentioned, envisages the withdrawal from operations of highly unprofitable lines, the elimination of passenger trains with low rider frequency, and concentration of potential on areas of highest productivity.

More attention was devoted to internal financial accounting in the draft of changes issued by "Solidarity." Individual plants and organizations will be given more financial autonomy, i.e., management of assets will be decentralized, plants will go to a self-financing system, and some of them will even be privatized (employee stockholding): the wagon and locomotive works, facilities plants, computer services, etc. It should be added that even now the railroad is ready to sell off almost 1,200 km of lines, and it is possible that the first transaction will take place in the Gdansk maritime region. The draft also envisages turning railroad schooling over to the Ministry of Education, and putting the railroad firefighting service and the services of the railroad sanitary inspector under the State. It is proposed that a special bank in which the PKP, the National Bank of Poland, and other interested parties participate, be formed in order to provide efficient financial services.

The program for changes in the PKP will doubtless consider the proposals of both programs. The changes, although they must be spread out over time, will probably be more rapid than had been envisaged until recently. To modernize the Polish railroads, we received a loan of $145 million from the World Bank. The loan must be repaid in 17 years and contains a five-year grace period. The railroad can finally invest in the purchase of track machines, computer equipment and train-traffic security systems. But it would be bad if an enterprise which has not yet been reorganized would begin to use this money.

Government Daily Announces Expansion of ECONOMY AND LAW Supplement

90EP0792A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jul 90 p 1

[Commentary by Piotr Aleksandrowicz: "Economy and Law"]

[Text] RZECZPOSPOLITA is growing in size: From Monday to Friday, daily, it will henceforth publish a four-page supplement, ECONOMY AND LAW, the first of its kind in the Polish press. We are starting to provide more extensive economic, financial, and legal information, because, with the approach toward a market economy, the demand for such information is rising rapidly. Even now, RZECZPOSPOLITA is the broadest source of economic and legal information in this country. We desire to strengthen our position.

We wish to encourage the participation of enterprise directors, private firm owners, bankers, economists, accountants, and associates of research institutes in the ECONOMY AND LAW section. We count on the growth of the custom, so popular in countries with a mature market economy, of the transmittal to major dailies of information on financial statements, managerial personnel changes, particularly large trade contracts, and activation of new production. We shall utilize such information as it comes.

In a word, we expect that the ECONOMY AND LAW supplement will become a source of the macroeconomic information needed for the planning of operations, analysis of economic conditions, etc., as well as of the microeconomic information serving to evaluate discrete enterprises and subsectors.

In the last few weeks tension in this country has increased. Disputing politicians of various orientations, both Left and Right, in the government and in the opposition, should be aware that a climate of tense squabbling and political disputes does not promote economic growth. It is natural in countries with stable economies and a developed parliamentarianism but, in the conditions of the young Polish democracy and economy of the transition period, this discourages domestic and foreign investors from major undertakings and the creation of long-range development programs, and strengthens a wait-and-see attitude.

So long as political disputes are a part of public life that is relatively distinct from the natural, market-oriented course of economic events, this still is not a misfortune. But if the economy becomes involved in political games, if economic slogans and ideas are exploited for political purposes, as for example recently in questions of agriculture, privatization, wages, or local self-governments, then the business community should attend to curtailing the destructive influence of politicians on the economy.

Politics can never be entirely separated from economics. But care should be taken to have this relationship promote economic growth, and ECONOMY AND LAW will serve this purpose.

YUGOSLAVIA

Possibility of Lipa To Become Currency

90BA0167C Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 11 Jun 90 p 31

[Article by Mirko Katic: "Views and Opinions: Birth of a Currency"]

[Text] Sarajevo—In Slovenia 10,000 printed notes denominated in lipas, issued by Dr. Bogdan Oblak's privately held company Lipa Holding, have been put on sale (put into circulation). One cannot say with any certainty whether we are talking about a "plan for a new Slovenian currency" being put into effect, because Dr. Joze Mencinger expressly denies that.

Whether the lipa is just a piece of paper, or possibly even a currency, or a souvenir, only time will tell. Neither are the real intentions of the people gathered around Lipa Holding known to me. In my opinion, however, the very idea of issuing and putting such securities into circulation, which are not real money or stocks or bonds, represents a strong enough challenge to traditional conceptions of everything associated with money that it would be worthwhile to consider it all in a different way. To be specific, let us try to answer the question of whether the lipa could become a currency, even without the support of the official governmental agencies. A scenario can be fashioned according to which it is possible for all of that to be realized. Let us proceed through it in order.

First: The stock company Lipa Holding prints pieces of paper with nominal value expressed in lipas and vinars, and offers them for public sale, not compelling any one to buy those pieces of paper or circulate them further. All printing expenses are borne by the issuer.

Second: It is possible to provide the material backing for the exchange value of the lipa in identical fashion to how it is done with the convertible dinar—through the sale of lipas for convertible foreign currency at some rate fixed in advance that can be selected arbitrarily. (According to some data, one lipa is worth 50 Austrian schillings).

Third: Lipa Holding can deposit its thusly acquired stock of foreign currency abroad at the most favorable terms and collect interest, which it then adds in part or whole to the principal, thereby increasing its stock of foreign currency without supplementary issues of lipas and vinars. Besides, the same money can be invested in other businesses with a higher rate of return and at little or negligible risk. Again, earnings will be reinvested. (Again, only the company has expenses).

Fourth: the growth in the stock of foreign exchange serves to increase the market value of the issued bills denominated in lipas, to the point that there are corrections in the rate of exchange vis-a-vis convertible currencies in the lipa's favor, thus increasing the exchange value of previously issued bills denominated in lipas. Thus, Lipa Holding is operating just like any other stock company, and the fact that its bills are printed to look like currency should not perturb us. Further issuings of bills in this same fashion are also possible, but we cannot yet talk about money, or in other words a currency.

Fifth: Such a security can be used for a means of payment in the circulation of goods, depending on the will of the sellers and buyers of various products and services. Its exchange value is supported by the stock of foreign currency at Lipa Holding. Generally it must not be circulated like money but can pass around as a good, in which case there would be a form of barter of a good for a security that was not official money, but its market value would be completely clear and guaranteed. Indeed, in my judgment, the SDK [Social Accounting Service] would not be able to object, because it is always possible to transform an exchange of the good-for-good type into the good-for-money-for-good type, with the help of an insignificant quantity of money that here is only an intermediary. Indeed, the holder of a lipa sells the lipa to a seller for dinars and afterwards buys another good from that same seller with the dinars. Lipa Holding can provide the initial impetus for this process with the founding of a Lipa Trade company. For that purpose it can use a supplemental issue of lipas and vinars based on current growth in the stock of foreign exchange resulting from accrued interest, not altering the current rates of exchange of the lipa vis-a-vis other convertible currencies. Thus would Lipa Trade receive initial capital to fill its warehouses with goods and display stocks for sale, denominating prices in lipas and vinars. A currency would be born.

Sixth: Exchanging its merchandise stocks in other markets, Lipa Trade would be able to provide an exact assortment of offerings suited to all the buyers having Lipa Holding notes. Lipa Trade's dealings would otherwise operate as in other commercial houses in the Yugoslav and world marketplace, except that Lipa Trade would accept payments and settlements in lipas and convertible currencies according to the Lipa Holding's exchange rates. In return, the influence of merchandise transactions on Lipa Holding exchange rates would operate in stabilizing fashion on the value of the lipa. (From here on out, the founders of Lipa Holding would be able to draw profit out of the system as a whole, but solely in Lipa Trade merchandise or convertible currency obtained through sale of that merchandise in foreign marketing. Why)?

Seventh: The owners of a Lipa Corporation system cannot realize their profit in lipas lest they thereby destabilize the entire system. Indeed, one must bear in mind that the lipa is not real money, but merely a medium of exchange—a currency that has exchange

value in the hands of all other users except Lipa Corporation. The reserves of lipas in Lipa Trade's coffers correspond to the reserves of convertible currencies at Lipa Holding. Exchanging them would vitiate the system.

Eighth: Goods producers trading with Lipa Trade get Lipa Holding notes for simple sale of their merchandise to the Lipa Trade system. This financial inflow is sufficient under normal conditions to cover their current payment obligations related to the merchandise in question, if all selling is directed through Lipa Trade. Thus a system of merchandise exchange would be created, with a stable currency, along with the complete absence of credit relationships inside the system.

Ninth: With the objective of facilitating circulation, Lipa Trade can establish a Lipa Bank, which could collect lipas from individual holders or business customers and any other banks and, based on those deposits, supply credit for consumers and the economy, but without true deposit creation. Of course Lipa Trade would not be permitted to invest its stocks of lipa bills via banks in consumer loans or the like, for the exchange value of the lipas held by Lipa Trade is not backed by merchandise, so such reverse linkage would debase the system. Lipa Trade can use the lipa only for purchasing goods and, of course, to pay for various services, including wages for its workers, owners' profits, and the like, which is to say noncredit transactions.

Tenth: Of course except for Lipa Trade other commercial organizations can be included in the system of circulating goods and currency, so that the Lipa Corporation system cannot operate as if it were a monopoly. Moreover, the worth of the system will be validated so long as it is experts that are running it. They will never be able to prevent other people from tendering some other currency in the selfsame marketplace, wanting to create yet another parallel but relatively isolated market in which some other standards of civilization could govern.

The scenario described above is not unrealistic, although it lacks any cost or time estimation. In order for it to begin to operate, the Lipa Corporation system would have to grow beyond certain minimum boundaries, that is, it has to reach critical mass. In addition, some other details are missing from this scenario that we should not set forth on this occasion. However, what is most essential is the fact that a domestic economy is creating its domestic currency without credit relationships. The center of the system is not Lipa Holding but rather Lipa Trade. It is possible to create the material backing for lipas immediately in exchanges for goods, without exchanges for foreign currencies. What the system needs is just the support of people who have certain common standards of civilization which, to their way of thinking, are distinct from the standards of others. This is not a matter of force, but rather of the democratization of the economy that we have long awaited.

Number of Enterprises in Bankruptcy To Increase

90BA0167A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 11 Jun 90 p 16

[Article by M. Zlatic: "Bankruptcies: Creditors and Receivers"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] Yugoslav economy on the "threshold" of a wave of bankruptcies?—Dimensions of new unemployment unclear—Regarding the basis for concern that the "healthy fabric of the economy" will be destroyed by bankruptcies.

The month of June will be a time of numerous appearances before bankruptcy courts throughout Yugoslavia. Filings for initiation of bankruptcy proceedings have been pouring into the courts since the beginning of May at a rate that probably is already exceeding the capacity of what have been up to now the most tranquil of tribunals (workloadwise). During just two consecutive days in the middle of May some ten filings arrived at the Belgrade District Economic Court, as many as the total had been for the previous four months.

The exact number of filings in Yugoslavia is difficult to determine—those statistics do not exist—but the newly presented Social Accounting Service [SDK] reports on "unfulfilled obligations of legal entities" are a fairly reliable indicator. According to their data, as of 30 April there were 335 legal entities "for which filings for initiation of bankruptcy proceedings are being submitted," representing a total of 211,031 employees. At the end of the previous month there were 213 such legal entities, with a total of 136,254 employees. Of that number 296 are business organizations, representing a total of 209,484 employees.

The regional picture is as follows: the greatest number of potential filings is from Serbia (102 legal entities with 59,239 employees), followed by Bosnia-Hercegovina (67 legal entities with 61,351 employees), Kosovo (58 legal entities with 27,271 employees), Croatia (50 legal entities with 38,250 employees), Macedonia (23 legal entities with 6,117 employees), Slovenia (18 legal entities with 4,480 employees), Vojvodina (10 legal entities with 3,107 employees), and Montenegro (eight legal entities with 11,216 employees). To these figures must also be added the legal entities that the SDK is tracking as "continuously insolvent," which means that they are right near the statutory deadline when the SDK is obligated to submit a filing for initiation of bankruptcy proceedings. At the end of April there were 1,734 of these, with a total of 722,758 employees (a month earlier there were 2,033, with a total of 946,657 employees). As of the last day of April there were yet another 1,265 legal entities with a total of 715,167 employees, listed as insolvent, but their insolvency in terms of duration is not yet considered worrisome (at the end of the previous month there were 1,203 of these, representing a total of

630,590 employees). And the regional breakdown for these two sets of cases is analogous to the one shown above.

According to reports from the economic courts, which is to say the bankruptcy courts of Belgrade, Zagreb and Ljubljana, the situation is rather "asymmetrical." In Belgrade some court appearances were scheduled for last month but, as a rule, on the appearance date or even earlier the firms (with a couple of exceptions—small enterprises) submitted evidence that they had gotten out of insolvency, so that bankruptcy proceedings were not set in motion. In Ljubljana court appearances were mostly scheduled for June, while in Zagreb out of approximately 15 May filings and court appearances, in fully half of the cases bankruptcy proceedings were, or will be, initiated. And at issue are a number of medium-sized firms, each with several hundred employees, in which, according to initial estimates, excess labor is at least 30 percent and reaches up to 60 percent. These data concerning excess labor and the above-mentioned figures concerning the number of illiquid firms and their employees point to the possible dimensions of new unemployment after a conceivable wave of bankruptcies. It is indicative that large firms, the so-called socialist giants, are not yet caught up in the wave of bankruptcy filings, and that according to reports from banking and commercial circles, business is less and less frequently turning to banks with requests for loans due to high interest rates as well as the impossibility of banks to respond positively to such requests. The recent removal of the limitation on bank credits is not having any substantial effect, for due to the shortage of money, banks do not have any opportunity to exceed the limit. Money can be obtained for 60 days at most, and transfusions of funds to an increasing extent for only a few days, especially from the increasing number of nonbank lenders. This can often probably be accomplished in connection with even temporary dissolution or insolvency at even higher cost. Possible rapid growth in unemployment due to bankruptcies is probably the subject of reflection on the part of both federal and local government, the outcome of which will determine the strength and speed with which the tightening hold of bankruptcy encircles the economy.

That the keys are entirely in the hands of the state is shown by the fact that filings for initiation of bankruptcy proceedings have been made almost solely by the SDK. To our question as to whether any creditors appear to be submitting filings, as a rule, and indeed without exception, we received the response: "But no, what creditors." Article 3 of the new Law on Mandatory Settlement Receivership and Liquidation provides that "creditors and the debtor himself may initiate bankruptcy proceedings," which is appropriate for a market and property based economy, but that same article goes on to read "as may other entities, which is to say agencies specified by law." If the proposal for bankruptcy proceedings is submitted by a creditor, then Article 72 of that same law provides that "he must submit proofs of the existence of his monetary claim and that even through mandated compliance he has not been able to collect." If creditors were to submit filings, the matter would be further complicated, because according to information from the Federal Secretariat for Justice and Administration, promptness of court support for mandating compliance varies from one to over 10 months. It is interesting that in terms of promptness the Belgrade District Economic Court is at the top, and that Slovenia's, and especially Croatia's courts are at the bottom of the scale. Article 2 of the above-mentioned law provides that "bankruptcy proceedings be carried out against the debtor with the longest term incapacity to pay (insolvency) as well as in other cases specified by law." The explanation of that is in Article 22 of the Law on Financial Dealings which reads: "If a legal entity is insolvent for a continuous period of 60 days, or discontinuously for 60 days during the previous 75 day period, the cognizant organization for payment flow (Editor's note: SDK) must without delay submit a filing to the court of jurisdiction for initiation of bankruptcy proceedings." The consequences of the opening of bankruptcy proceeding are spelled out in Article 93 of the Law on Bankruptcy: "As of the day of the opening of bankruptcy proceedings the debtor's workforce ceases to be in employment status. The bankruptcy court may, while bankruptcy proceedings are going on, keep on the job the number of the debtor's workers necessary for finishing jobs already commenced or for carrying out the bankruptcy proceedings." Thus the state shows itself really to be the creditor's representative. Through restrictive monetary policy or in other ways it can activate the SDK and the judiciary to initiate bankruptcies, but it can also expect hostility from those who endure the consequences of those bankruptcies.

It is anticipated that the pressure of bankruptcy filings will be especially severe at the end of June and the beginning of July, and the fear being expressed in banking and business circles is that through an indiscriminate wave of bankruptcies the "healthy fabric of the economy," by which is meant firms whose products can (conceivably) sell in the market, will be destroyed. This fear, of course, would be groundless in a market and property based economy, in which firms can buy and sell, that is to say in which this, that and every other commodity are valued based on the relationship of supply and demand.

BULGARIA

Statistics on Bulgaria's Pensions, Economic Consequences

90BA0196A Sofia DUMA in Bulgarian 4 Jun 90 p 6

[Article by Senior Scientific Associate Dimitur Ninov: "Many Pensioners—Many Discontented"]

[Text] Despite the justifiable and not altogether justifiable criticism that we make of the pension law currently in effect, the pension security system in Bulgaria covers all the insurance situations known in international practice and the conventions of the International Labor Organization. From 763,000 in 1948, the total number of pensions in the country rose to 2.327 million in 1989; that is, it has more than tripled.

Despite the longer lifespan, the retirement age established decades ago remains unchanged. Bulgaria is today one of the countries with relatively favorable and easy to meet terms for retirement and for gaining entitlement to an old-age pension.

The period of employment that the law in effect in Bulgaria links to entitlement to a full-fledged old age pension continues to be one of the lowest in Europe and the world. On the basis of this relatively short employment period, the law secures a pension in the amount of 55 to 60 percent of the base earnings amount.

The increase in the amount and level of the average pension is almost without precedent in world practice, from 5 leva in 1948, representing 12.4 percent of average earnings, to 116 leva in 1989, representing more than 43.8 percent of average earnings.

Even more unprecedented and progressive in comparison to the changes that have taken place in the national income is the increase in the total amount of expenditures for pensions, from 45.8 million leva in 1948 to 3.246 billion leva in 1989—that is, an increase by a factor of 70.9. Over the same period, the percentage of pension expenditures relative to the national income has increased from 2.3 percent to 10.8 percent.

When, where, and how did the errors begin?

They began first of all with the nationalization of the pension insurance system in 1950-51—that is, with the direct subordination of the system to the state bureaucratic apparatus. The budget for pensions was incorporated into a single state budget, with all the consequences this entailed. In the beginning, which coincided with the early period of expansion of the scope and general extensive development of pension insurance, its weak aspects did not come to the fore. Moreover, the pension insurance underwent rapid and, on the whole, progressive development during the initial period after nationalization. It was not until later, during the 1970's and especially the 1980's, that its negative aspects and consequences picked up speed and began to predominate.

Requirements for Retirement on Full Pension for Time Worked and Age

Country	Normal Pension Age in Years		Time Worked in Years		Pension as Percent of Earnings
	M	F	M	F	
Bulgaria	60	55	25	20	55-60
Holland	65	65	40	40	70
Finland	65	65	40	40	60
Sweden	65	65	30	30	60
United States	65	65	40	65	43-64
FRG	65	65	35	35	52.5
Belgium	65	60	45	40	60
Austria	65	60	45	45	79.5
France	60	60	37.5	37.5	50
Switzerland	65	62	45	42	42

The amounts and the levels of pensions as well as their numbers rose steadily and rapidly, and, paradoxically, dissatisfaction grew at the same time. An internal imbalance arose in the system and intensified. The requirements set for insured persons and insurers remained unchanged, whereas the obligations of the system toward insured persons increased manifold. As a result, the total amount of insurance contributions earning no interest or adequate interest today covers 33 to 58 percent of the average value of a recently instituted pension for time worked and for reaching a particular age—that is, 33 to 58 percent of the average expenses for support of a pensioner. The difference is to be made up by future generations of gainfully employed and insured persons. This circumstance places the younger generation of employed persons in an unfavorable situation. The regulatory acts, standards, and mechanisms on which the sizes and differences in the sizes of pensions directly depend are long out of date. This leads in some cases to unjustified leveling, and in others to unjustified differences in the sizes of pensions.

The second error resided in the expanding right to two or more pensions.

The number of persons who retire with their capacity for work fully or essentially preserved is also increasing constantly. The effort toward privileged and immediate retirement for the purpose of obtaining both a pension and earnings is a large-scale phenomenon. Together with the rapid trend toward aging of the population, this is leading to artificial growth of the "retiree market"—that is, the number of pensions and pensioners, from 18.6 per 100 employed persons in 1948 to 49 in 1989.

According to 1985 data, for every 100 persons of gainfully employable age in Bulgaria, there are 40.84 pensioners, whereas there are only 28.38 in Greece, 29.58 in Belgium, 31.41 in Austria, 23.92 in the FRG, and 20 in the United States.

The economic reform and the market economy necessitate a change in the organization, the internal balance, and the criteria and principles governing the distribution of income from pensions—that is, an overhauling of the pension insurance system.

It is extremely urgent for it to be separated from the government apparatus and be transformed into a self-managing and self-financing fund system. The upset internal balance of the system must be restored in a way that prevents a subsequent upsetting of this balance. The road to restoration of social justice in distribution of pension income leads through construction of an efficient modern system of updating this income and creating well-founded and differentiated minimum and maximum amounts within the framework of a mandatory pension insurance system. In addition, it must be made certain that every lev of wages earned and every year of employment will be taken into account in the determination of the size of pensions for past employment and, above all, that of pensions for time worked and age.

The administration of pension insurance can be democratized through participation by all parties concerned—employers, the government, and the insured persons themselves.

The preventive and economic function and the efficiency of the pension insurance system will be heightened by means of suitable differentiation (direct or indirect) of the amount of insurance contributions, by encouraging measures to improve working conditions and prevent or restrict work accidents and occupational diseases, and so forth.

It is a question of creating broader possibilities for gradual, flexible retirement on pension. The construction of a system of funds for additional and voluntary pension insurance represented by individual insurance contributions or a combination of individual insurance contributions and contributions by commercial firms would supplement a pensioner's income from the government pension fund, by a method to be selected by each individual.

The new draft pension insurance law drawn up by the government as a part of the new social security law tries to resolve the contradictions that have accumulated. It will be submitted for broad public discussion and evaluation.

GERMAN DEMOCRATIC REPUBLIC

Crime, Drug Trade Potential Viewed

90GE0234A East Berlin BERLINER ZEITUNG in German 19 Jul 90 p 3

[Article by Klaus Bischoff: "Is an Explosion in Crime Threatening To Rock the GDR?"]

[Text] The Berliner Zeitung carries daily reports on crimes committed in the city. Not all are equally severe, but they create the impression crime is increasing rapidly and along with it a sensation of fear. Are we faced with a crime wave? The Berliner Zeitung went to Berlin's Central Office of Criminal Investigation (ZKA) to find out more.

According to crime statistics of the ZKA, 130,000 crimes were committed in the GDR during the first half of 1990. This amounts to an increase of 6.2 percent compared to the same time last year. Seen by itself, this relatively small increase is not unusual, but when seen against the background of recent changes, the increase indicates the onset of a new trend. With borders open and social conditions changing, the once somewhat protected GDR is about to become overwhelmed by much that is new, including the world of crime. Another point is that the crime statistics of 1990 largely ignore a range of offenses that used to be typical for the GDR, such as illegal border crossings and asocial behavior. These offenses made up about 10 percent of the total number, which means that regular criminal offenses have in fact increased substantially.

Significantly More Robberies

The GDR is starting out with a favorable base line. If one compares the number of crimes committed per year per 100,000 inhabitants (frequency indicator), the GDR shows a long-term average of 700 crimes compared to 10 times as many in the FRG and 20 times as many in West Berlin. One murder in the GDR compares to five in the FRG and 20 in the United States. The frequency indicator for robbery shows five robberies in the GDR, 49 in the FRG, and 244 in the United States. However, during the first half of this year, twice as many people as a year ago have been robbed in the GDR—mostly when using public transportation. It seems then that criminality in the GDR is rapidly increasing, at least in certain sectors, but when compared to Western Europe as a whole, the GDR still has a low crime rate. We have reason to feel reassured, but we must also be prepared to face new challenges such as the drug scene, with its drug dealing and drug-use-related crimes (committed by drug dependents, desperate to finance their habit). During the first half of 1990, customs officials confiscated about eight kilograms of drugs destined for the GDR. This number is probably much higher because of heavy East/West border traffic that makes controls difficult.

Some Discos Sell More Than Soft Drinks

The police are convinced that organized drug dealers are ready to conquer a new profitable market. Drug consumption in the GDR is still confined to the early stages of drug use. Drug dealers visit clubs and discos where they tempt adolescents with joints containing a mixture of tobacco, marijuana, and/or hashish. Dependency develops after repeated joint smoking. The police are

closely allied with the Federal Office of Criminal Investigation in the FRG and are trying to penetrate this early user scene.

Today's crimes are characterized by increased brutality. It is bad enough when somebody demands your wallet or snatches your purse and then runs away, but these days, robbery victims face the added risk of being beaten without mercy. Why is this so? Is society as a whole becoming more and more aggressive? It almost seems so, judging by what happens on the open road. Serious accidents over the first half of this year are up by 30 percent in the GDR, and by 50 percent in Berlin (again compared with the first half of last year). Some of the accidents are caused by young people who race their new, high-performance cars until they run off the road; but most of the accidents are caused by a recklessness that, although not unknown in the FRG, is running rampant in the GDR.

Interestingly enough, some crimes have been on the decrease, such as sexual abuse of minors (down 10 percent), rape (down 18 percent), and murder (70 murders during the first half of 1989, as compared with 54 murders during the same time in 1990). Obviously, chasing after West marks takes precedence over many other sought-after gratifications.

This year showed a marked increase of 18 percent in robberies in the GDR. The first serious bank robbery after monetary unification has already occurred. A savings institution in Kreis of Ludwigslust, Bezirk Schwerin, was robbed of DM70,000. The robber got away.

Burglaries and incidents of pickpocketing have also been on the rise. Such criminal offenses are often committed by foreigners, although, according to crime statistics, foreigners not only commit criminal acts, but suffer from them as well. In general, foreigners tend to commit smaller offenses rather than serious crimes.

Times are also good for people who plan to enrich themselves by taking advantage of the naivete and gullibility that is still very prevalent among citizens of the GDR. In the future, we will see a massive increase in shady door-to-door sales and in a variety of tricks employed to steal from unsuspecting citizens. A sales lady who is approached by a deliberately rowdy group of customers who insist on seeing something in the shop window, should become alert and should not turn her back to them. Also, there is no need to let somebody into one's home who rings the door bell and says he or she is not feeling well. The time it takes to fetch a glass of water could be sufficient for the surprise visitor to dip into the valuables. Finally a warning about those who claim to be legitimate door-to-door salespersons. They discredit the profession, not so much by their gift of gab, which comes with the job, but by their business practices. Sometimes they talk people into buying merchandise whose contract clauses are out of date, so that the time the law allows for the buyer to change his mind has already lapsed. Sometimes, the buyer is left under the impression that he agreed to a single purchase while in reality he has locked himself into a purchase agreement lasting several years.

A rather serious chapter deals with offenses perpetrated by extremist and other groups. Soccer rowdies more and more often demolish property and use violence against others. The police in the GDR are ill prepared to handle such an unfamiliar phenomenon. This is poor solace for citizens who have been attacked. The police need to search for more effective ways of handling such problems. The FRG is experimenting with new approaches as well.

Police experts estimate that since March 18, when elections to the People's Chamber took place, political extremism has been on the rise. Manifestations include the use of violence, the display of hate mongering, such as Heil Hitler salutes and neo-Nazi propaganda, the desecration of cemetaries, and the defacing of other buildings with Nazi slogans. Incidents directed against foreigners, especially against people of color and homosexuals, have been on the increase; as have incursions against squatters and youth centers. Neofascist organizations from the FRG and Austria are trying with some success to establish affiliated organizations in the GDR. They can point to some success in Berlin, Cottbus, Leipzig, and Halle—probably because they did not have to start from scratch. They could build on a general decline of values that started in the 1980's (a decline that has not abated since) and that, although it went unacknowledged by the Honecker government, sparked the beginnings of such groups.

Unfortunately, right-wing extremists do not hold a monopoly on victimizing those who think differently. Leftist autonomous groups and autonomous antifascist groups behave in the same way. Groups in East Berlin get hearty support from their comrades in the western part of town, while militant autonomists from Hamburg share their experience with their cronies in Rostock.

During the past few weeks anti-imperialist groups in the GDR have committed clearly illegal acts against mobile offices set up by the Deutsche Bank. The ZKA thinks that the perpetrators of the crime belong to a group that split off from the Red Army Faction in the seventies.

The bottom line is that the GDR has to be prepared to deal with more crime. It looks as if law enforcement agencies and the court system are increasingly unable to administer justice. Compared to West European countries, the GDR is still ahead when it comes to solving crimes, but its success rate has dropped by ten percent. A great deal has to do with the fact that many criminals take refuge in the FRG or in West Berlin and thumb their noses at the GDR judicial system

What price do we have to pay for our new found freedom? More crime and less convictions? It almost seems so, because more political freedom has generated social insecurity which is a fertile ground for illegal behavior. Citizens are no longer told what to do and how

to behave; they are largely left to themselves, and some make poor use of this new freedom.

The police are no longer what they used to be either. Public disturbances no longer bring security forces out in division strength. They no longer have the authority to round up anybody who crosses their path. Nowadays, the police are mainly there to protect the rights of citizens who live in a democratic society.

But common people still expect protection from ordinary criminals as well as from transient hoodlums who plot mischief against decent citizens. The police, however, seem to have trouble fulfilling this new role. It almost seems that after the display of violence last October, the police have fallen into the other extreme and have decided to proceed with extreme caution—obviously a sign of their insecurity, which they have not yet overcome, and fear for their professional existence.

Society as a Whole Must Fight Crime

Do we have to learn to live with crime and insecurity from now on? Not necessarily, because even though the police are important in keeping order, it is society as whole that is responsible for internal peace and security. Once youth centers close and pubs raise their prices, young people end up on the streets, and trouble is bound to follow. It is up to schools, the home, churches, and youth associations to instill humanistic, in order to counteract dangers to personality development. The state has to make a social commitment that is backed by hard cash. Social care cannot be organized on a purely honorary basis.

Until then, citizens will have to take care of their own safety. They will no longer leave the key for aunt Elsa under the floor mat. They will replace their simple door locks with something more complicated. When going out, they will make sure they don't carry a great deal of money, but enough, so that disappointed muggers won't beat them up, out of sheer frustration. One thing they will not do, despite recent police advice, is to take a taxi instead of the empty S-Bahn [urban rail system] cars at night because that would take a fatter paycheck.

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